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ABSTRACT

Consideration of three specific aspects of the Austrian situation is helpful in understanding funding of the vocational education system: Austria's long tradition as a welfare state; high degree of centralization, and the important influence of the economic and social partnership. Initial vocational training follows one of two paths: the dual system (in-company training and occupation-related school education concurrently) and secondary level 2 schools (secondary technical, and vocational schools, and colleges). The Laender and training enterprises share the costs of the dual system. Direct sources of funding for secondary technical, vocational schools, and colleges are public costs, costs borne by "private" funding, and costs borne by private households. Indirect financing comes from family support, Family Relief Fund benefits, and subsidies for training enterprises, for the especially gifted, and within the framework of labor market policies. Forms of continuing vocational education and training are in-company training and continuing training; training provided by commercial institutions; courses provided by public institutions; and training provided by non-profit institutions. Funding sources are private households, enterprises, and public budgets. Sources of funding for training programs for the unemployed are the Federal Ministry of Labor, Health, and Social Matters and the European Social Fund. (Contains 70 references.) (YLB)

The financing

of vocational

education and

training in

Austria

European Centre for the Development of Vocational Training

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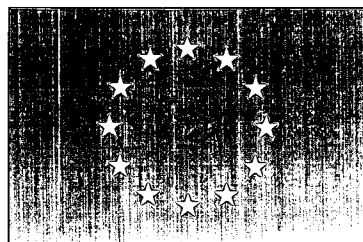
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The financing of vocational education and training in Austria

Financing portrait

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Foreword by Sarah Elson-Rogers/Sven-Age Westphalen

At the end of 1997, CEDEFOP launched a project to produce financing portraits of the vocational education and training (VET) systems within the individual Member States of the European Union. The portraits combine a qualitative description of the flow of funding through the VET structures, identifying the funding sources and allocation mechanisms, with quantitative data on expenditure for different training types. The reports are structured around initial vocational training, continuing vocational training and training for the unemployed. In recognition of the increasing overlap among these training types, some of the reports include an extra section on combined forms of training.

At the outset of the project, CEDEFOP asked the individual national authors to follow a uniform structure for the presentation of their financing training systems. This structure centred on the following issues with regard to initial and continuing vocational training and training for the unemployed:

- outlining the economic, political, legal and administrative background to the financing of the VET system;
- defining the different types of training according to the national context;
- identifying the funding sources (e.g. European Union, central government, regional/local government, employers, individuals, etc.);
- explaining the mechanisms for the distribution of funding;
- identifying the expenditure levels over 10 years (1986-1996 or the most recently available years);
- concluding and discussing the trends and perspectives of the financing VET system.

The authors were requested, where possible, to distinguish between private/public and direct/indirect funding sources and to identify capital and revenue funding. They were also asked to provide a breakdown of expenditure according to the different sources of funding for each training type.

While defining a common structure for each report allows for broad comparisons between the different systems and easier cross-referencing between the reports, it does not allow for detailed trans-national comparisons. It was acknowledged at the outset of this project that creating comparable reports would not be possible for a number of reasons, including:

- Training definitions: initial vocational training, continuing vocational training and training for the unemployed mean something different within individual national contexts. While creating a "standard" definition of each training type would have facilitated comparability, it would have complicated the process of gathering and presenting data. For this reason, each author was requested to use a nationally-based definition.
- Data: there are a number of general obstacles to obtaining comparable data, for example: the lack of common definitions, different national accounting procedures and

the problems of identifying expenditure where funding sources are diverse and estimates are based on surveys. More specific obstacles include the difficulty of aggregating data where funding is decentralised and estimating indirect sources of expenditure.

A number of barriers to achieving even basic common parameters arose as the work developed. Among others, these included:

- The increasing overlap between the traditional training categories. In some countries the division between the different training types is not as strict as in others. This means that some artificial divisions have had to be drawn by some of the authors, for example, between academic and vocational training. While this particular overlap may be, in part, the result of a general policy aim to level parity of esteem, it creates challenges in disaggregating data to identify expenditure on the vocational element. The notion of Lifelong Learning also has implications for creating more coherent training structures which include a wider range of learning activities. It is often difficult to identify and measure expenditure data on training which takes place outside of the formal structure.
- The complexity of financing training structures in terms of the number of different funding sources and mechanisms for financing VET. For example, levels of expenditure on indirect demand-side incentive mechanisms such as tax incentives are often difficult to identify. More fundamentally, this general complexity is enhanced in those countries where there is no national structure for training, e.g. where local governments have a high level of responsibility for financing training.
- The number of recent reforms to the financing VET system blur data comparability over time within individual Member States. In addition, the newness of many of these reforms mean that there is often a lack of stringent evaluation according to efficiency, effectiveness and equity criteria.

There was no ideal way to create common criteria for the structure of this series of reports. There is a certain trade-off between attaining a common structure and reflecting the nuances of the individual national training systems. Nevertheless, this first set of portraits does serve to highlight many of the complexities involved with the financing of vocational education and training across the European Union. We hope you find the portraits informative and welcome your comments.

We would like to thank Mr. Michael Hörtnagl (IWI - Industriewissenschaftliches Institut), who prepared this portrait on the financing of vocational education and training in Austria.

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Table of contents

Foreword.....	1
Table of contents	3
List of tables and figures	5
Preface by the author.....	7
Part 1 Background to the funding of vocational education and training	9
1.1 Political background	9
1.1.1 Structure of the Welfare State	9
1.1.2 High degree of centralisation	10
1.1.3 Economic and social partnership	11
1.2 Economic background.....	11
1.3 Legal background.....	14
1.4 Administrative background	16
Part 2 Initial vocational training	19
2.1 Background to initial vocational training	19
2.2 Funding sources and distribution mechanisms for initial vocational education and training.....	23
2.3 Direct sources of funding.....	25
2.3.1 Sources of funding for secondary technical and vocational schools and colleges	25
2.3.1.1 Public costs.....	25
2.3.1.2 Costs borne by 'private' funding	26
2.3.1.3 Costs borne by private households.....	27
2.3.2 Funding of the Dual System	29
2.3.2.1 Public funding	29
2.3.2.2 Private costs... ..	30
2.4 Indirect sources of funding	33
2.4.1 Benefits from the Family Relief Fund.....	33
2.4.2 Other subsidies.....	35
2.4.2.1 Subsidies within the framework of labour-market policies.....	36
2.5 Summary and outlook	37
2.5.1 Schools and colleges for technical and vocational education.....	38

2.5.2	Dual System	39
Part 3	Continuing vocational education and training	41
3.1	Background	41
3.2	Funding sources	43
3.2.1	Funding by private households	45
3.2.2	Funding by enterprises	46
3.2.3	Funding from public budgets	46
3.2.3.1	Land government support for individuals	48
3.3	Summary and outlook	48
Part 4	Training schemes for the unemployed	51
4.1	Background	51
4.2	Sources of funding and distribution mechanisms	51
4.2.1	National sources of funds	52
4.2.1.1	Strukturmilliarde	53
4.2.1.2	Job foundations	53
4.2.2	European Social Fund (ESF)	54
4.3	Summary and outlook	56
Part 5	Combined training programmes	59
5.1	Introduction and background	59
5.1.1	Training leave	59
5.1.2	Job rotation	59
Part 6	Future financing of vocational training - trends and projections	61
 Annexes		
Annex 1	Legal provisions	63
Annex 2	Benchmark statistics 1997	64
Bibliography		65

List of tables and figures

Tables

Table 1	Austrian economic indicators: 1986, 1991, 1996 and 1997.....	12
Table 2	Distribution of public expenditure among levels of education according to ISCED, 1994	13
Table 3	Direct spending on secondary technical and vocational schools and colleges in the years 1986, 1991, 1996 and 1997 in ECU (million) and ATS (million) without opportunity costs.....	29
Table 4	Expenditure for the dual system in 1986, 1991, 1996 and 1997 in ECU (million) and ATS (million)	33
Table 5	Indirect expenditure for initial vocational training in the years 1986, 1991, 1996 and 1997 in ECU (million) and ATS (million) from the Family Relief Fund	35
Table 6	Monthly Labour-Market Service subsidies for first-year apprentices	36
Table 7	Public and private expenditure on initial vocational training in 1986, 1991, 1996 and 1997 in ECU (million) and ATS (million)	38
Table 8	Individual spending on continuing vocational training in 1989 and 1996	45
Table 9	Public spending on continuing training in Austria, in ECU (million) and ATS (million)	48
Table 10	Spending on continuing vocational training in Austria, in ECU (million) and ATS (million), 1996	49
Table 11	Strukturmilliarde spending in ECU (million) and ATS (million).....	53
Table 12	Structural Fund objectives	54
Table 13	Spending on active labour-market policy in 1986, 1991, 1995-97 in ECU (million) and ATS (thousand million)	56
Table 14	Spending in Austria on vocational training in 1986, 1991, 1996-97 in ECU (million) and ATS (thousand million)	61
Table 15	Legal provisions on vocational training - applicable in the current version	63
Table 16	Benchmark statistics 1997.....	64

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Figures

Figure 1	Education spending by the federal government (excluding higher education).....	14
Figure 2	Number of pupils in selected school grades according to type of school 1996/97	20
Figure 3	Change in the ratio of applicants for apprenticeships/openings for training, 1991 to 1996.....	21
Figure 4	Cash flows in the vocational education system	24
Figure 5	Cash flows in the dual system	25
Figure 6	Cash flows in the continuing vocational training system.....	43
Figure 7	Financing of course costs in 1989	44
Figure 8	Monetary flows in training programmes for the unemployed	52

Preface by the author

The present report on the funding of vocational education and training in Austria was commissioned by Cedefop - the European Centre for the Development of Vocational Training - and drawn up by *the Department of University Economics* at the *Industriewissenschaftliches Institut (Institute of Industrial Science)* in Vienna from March to August 1998. It is intended to complement the Cedefop monograph 'The System of Vocational Education and Training in Austria'.

There is a whole variety of forms of vocational training in Austria. The most important of these is initial vocational training, which is provided either in schools (in stage II secondary education) or in the dual system (apprenticeship). Initial vocational training is characterised by a high degree of State involvement and is financed to a large extent by public funds. More and more people already in employment are participating in continuing vocational training. In contrast to initial vocational training, continuing training tends to be financed more through non-governmental initiatives and private forms of funding than by public funds. Training schemes for the unemployed are implemented mainly as labour-market policy measures and since 1994 have been funded almost exclusively through the *Austrian Labour-Market Service (Arbeitsmarktservice)*, which manages the labour market for the federal government. Since 1995 - when Austria became a Member of the European Union - funds have also been made available from the European Social Fund.

- In Austria the public and semi-public sectors play a very significant role. Where education providers are defined as 'private' in this report, this is a purely legal definition, i.e. the institution providing the training is not a public administrative body. The term 'private' does not refer to the funding. Many providers of vocational training which are private in the legal sense receive the greater part of their funding from the State.
- In Austria no comprehensive statistical data are available in general. The present report therefore also has gaps. In particular the expenditure of private households and enterprises on education is not recorded and can often only be approximated using model calculations.
- In Austria there are no estimates for opportunity costs (except for the tertiary education sector). For this reason the figures given in the tables must be interpreted with great caution. We can, however, draw some conclusions as to the proportionate distribution of the costs.
- Tertiary education (universities, colleges, courses at institutes of higher education and university courses) was not included in the present study.
- Neither were the returns on vocational education and training taken into consideration in the report, although there is certainly a need for more research into this area.
- After consultation with Cedefop we decided not to present a gender-specific analysis of expenditure.
- The present study was based mainly on secondary literature and secondary statistical data. In addition, the *Industriewissenschaftliches Institut (Institute for Industrial*

Science) itself collected data from the relevant institutions, interviewed education experts and persons in positions of responsibility within the administration, and sought opinions.

I would like to express my sincere thanks to all those who contributed to this study with valuable suggestions and comments. In particular I would like to thank the representatives of the Bundesarbeitskammer (*Federal Chamber of Labour*), the Österreichischer Gewerkschaftsbund (*Austrian Federation of Trade Unions*), the Ministry of Social Affairs and the Ministry of Education.

Michael Hörtnagl

Vienna, September 1998

Part 1 Background to the funding of vocational education and training

1.1 Political background

Austria, which became a Member of the European Union in 1995, has been governed since 1986 by a grand coalition of the Sozialdemokratische Partei Österreichs (*Social Democratic Party of Austria - SPÖ*) and the conservative Österreichische Volkspartei (*Austrian People's Party - ÖVP*). Although this long period of exclusive political responsibility on the part of two parties has frequently been the subject of criticism, it has also brought stability and continuity. In this climate political and social structures have been able to develop without abrupt changes in policy. The vocational education and training system has also developed continuously with few drastic reforms. A two-thirds parliamentary majority is required in Austria to pass laws on education and this, together with the crucial involvement of the social partners, has contributed to the prevailing stability of the vocational education and training system. Another consequence of the organic development of the system, however, is the complexity and sometimes obscurity of its funding. In order to understand how the vocational education system is funded it is helpful to consider three specific aspects of the Austrian situation:

1. Austria's long tradition as a welfare State;
2. the high degree of centralisation in spite of the federal structure;
3. the important influence of the *economic and social partnership*.

1.1.1 Structure of the Welfare State

The welfare system is well-developed with a strong foundation. It has a long history and is based on a broad social consensus. Many social tasks which are carried out by private organisations in other countries are mainly the responsibility of the public sector in Austria. Owing to this welfare State tradition, the public and semi-public sectors also play a very important role in the sphere of education. Vocational training is usually considered a public responsibility, or even a political right of the individual citizen. The entire vocational training sector has few of the features of a free market. Thus there are few private schools¹, and even in these staff salaries are often partly paid from public funds. In the dual system, which at first glance appears to be sponsored by the private sector, there are a number of legal regulations and public subsidies. Public and political organisations play an essential role in both the implementation and funding of training schemes for the unemployed. The majority of such programmes are implemented by the Arbeitsmarktservice (*Labour-Market Service*) and carried out by training institutions of the

¹ In the school year 1994/5 a total of 8% of pupils attended a private school. 75% of them attended a Catholic private school. Austria's private and denominational schools are usually compulsory level schools and schools for general education. Cf. Steinbiller, 1997, p. 28.

social partners. Only in the area of continuing vocational training are private provision and non-public sources of funding (business and private households) quantitatively more important than public provision. But even here it must be conceded that the biggest training providers are only private in the legal sense. In respect of organisation and funding they are usually closely linked to interest groups.

Welfare benefits to individual citizens are closely related to two policy areas: social security and family policies. To qualify for social security benefits an individual must first be integrated in the labour market². This means that only persons who have been in employment are eligible to claim benefits³. Family members are also entitled to benefits even if they are not in employment themselves. Austria also has a wide range of family benefits⁴. In order to claim family benefits, a citizen must of course be a member of a family. In Austria in this case the definition of a family relates to dependent children according to age. The occupation of adolescents is not important. Households receive family benefits until their children reach the age of 19⁵. Under certain circumstances, individuals can be eligible to claim benefits from other authorities than the federal government.

There are isolated support schemes for persons who are not covered by the above two systems, but these are secondary and are not usually regarded as a right.

1.1.2 High degree of centralisation

The responsibility for most areas of policy in Austria, including education, lies with the federal government. The federal government is responsible for the adoption and implementation of legislation on vocational schools at stage II secondary education and in the tertiary sector. The *Länder* (States) and *Gemeinde* (communes) are responsible for both the funding and organisation of compulsory schooling⁶, but the costs for teaching staff are largely borne by the federal government⁷. The responsibility for adult education lies, with a few exceptions, with the *Land* governments. Continuing vocational training is dominated by two large institutions⁸ which are clearly allied to the social partners. Businesses often use their training schemes, even for in-company continuing training. The federal government is responsible for the labour-policy measures within which various

² In Austria, the foundation stone for the tradition of a social security system linked to gainful employment was laid with the introduction of health insurance and disability insurance (1888/1889).

³ Insurance is compulsory in Austria for persons in employment.

⁴ For more details see Chapter 2.4.

⁵ In some cases exceptions can be made, for students for example.

⁶ Vocational schooling in the dual system are counted as compulsory schooling and are thus the responsibility of the *Länder*.

⁷ The federal government refunded 89.9% of state teachers' salaries (65.4% in Vienna) to state governments in 1994.

⁸ The Wirtschaftsförderungsinstitut (Institute for Economic Advancement) and the Berufsförderungsinstitut (BFI - Institute for Occupational Development).

training schemes are funded⁹. Social security, labour laws and family welfare are also the responsibility of the federal government¹⁰, but the *Länder* and *Gemeinde* bear the bulk of the responsibility for social welfare services and welfare benefits.

1.1.3 Economic and social partnership

Since the early post-war years a characteristic feature of Austria's political and legal systems has been the Economic and Social Partnership - commonly referred to as the social partnership. The social partnership is a system of economic and socio-political cooperation between the employers' interest groups (*Wirtschaftskammer Österreich* (*Austrian Chamber of Commerce*) and the *Präsidentenkonferenz der Landwirtschaftskammern* (*The Standing Conference of the Presidents of the Chambers of Agriculture*)) and the representatives of the employees' interest groups (*Bundesarbeitskammer* - *Federal Chamber of Labour* - and the *Österreichischer Gewerkschaftsbund* - *Austrian Federation of Trade Unions*), and with representatives of the federal government. This cooperation between the social partners is voluntary in principle and informal in character. The participation of the interest groups in the political decision-making process is dependent on their will to find compromise solutions through negotiation, and on a high degree of concentration and centralisation of the interest groups. Membership in the various professional associations is compulsory, a fact which does much to ensure concentration and centralisation¹¹. In most cases - because of the high level of centralisation - the results of negotiations are usually binding throughout the nation. Except in respect of pay negotiations, the individual groupings have little room for manoeuvre at the regional or sectoral level.

Experts consider that the importance of this form of corporatist interest politics is on the decline¹², but in the area of vocational training the social partners still do play a crucial role and they are involved in vocational education and training in many ways. For example, they nominate chairpersons and members of the examination boards for apprenticeship examinations and play an important role in the formulation of labour-market policy measures, which are often educational initiatives.

1.2 Economic background

In European terms Austria is a relatively rich country. Austrian per capita gross domestic product (GDP) on a purchasing power parity basis in Austria is above the EU average. In

⁹ These measures are funded through the Arbeitsmarktservice (AMS - Labour-Market Service), whose spending is mainly refunded by the Ministry of Social Affairs.

¹⁰ Articles 10 - 17 of the Federal Constitution.

¹¹ Both employees and employers are automatically and compulsorily members of their respective associations.

¹² Cf. Tálos 1993.

December 1997 the unemployment rate, at 4.4%, was the second lowest in the EU¹³ and inflation has been lower than the EU average for some time.

Table 1: Austrian economic indicators, 1986, 1991, 1996 and 1997

	1986	1991	1996	1997
Per capita GDP at market prices and on a PPP basis	11 639	16 280	19 501	-
Real growth (%)	2.3	3.4	1	2.1
Unemployment rate (%)	9.1*	3.4	4.3	4.3
Increase in consumer prices (%)	1.9	3.3	1.9	1.3
New borrowing as % of GDP	3.1	3.0	4.0	2.5
National debt as % of GDP	60.5	58.1	69.5	66.1
Civil workforce in thousands	-	-	3 090	3 109
Population in thousands	-	-	7 897	7 906
Employment (women) (%)	51.4	56.1	61.8	-
Employment (men) (%)	81.0	80.0	80.4	-

* according to Labour-Market Service method, all others according to Eurostat method.

Source: Austrian National Bank, Eurostat, OECD, Economic outlook.

This does not mean, however, that Austria can ignore the future challenges which result from increasing competition in world markets and emigration of manufacturing industries to low-wage countries. It was not only Austria's membership of the European Union and preparations for a common currency which made a policy of budgetary consolidation necessary. A further increase in taxes and levies¹⁴ is politically almost out of the question¹⁵, only a limited re-distribution of financial resources between the various policy spheres is to be expected, and school fees are not a subject for debate in Austria¹⁶. As a consequence budgets for the individual policy spheres - including education - will increase only marginally or not at all. Austria is very dependent on the service sector because it has few raw materials but does have a significant tourist industry, with many small and medium-sized enterprises. The service sector in turn depends above all on qualified workers.

Thus, since the 1990s, in their coalition agreements the governing parties have been emphasising the importance and growing significance of vocational education and training in Austria. Among the social partners there is a broad consensus on the need to step up efforts in the field of vocational education and training. In 1997 a training initiative for young people was started under the title 'der Jugend eine Chance' (*A Chance for Young*

¹³ According to the Labour-Market Service method of calculation. Source: ÖSTAT (Austrian Central Office of Statistics).

¹⁴ In 1996 the percentage of all State revenue amounted to 46.4% of GDP.

¹⁵ Those politically responsible promise that the tax reform in the year 2000 will ease the tax burden for private households.

¹⁶ It is not expected that school fees will be introduced in Austria. Even the debate over introducing university fees is relatively new and politicians still cling to free admission to institutes of higher education.

People). Different instruments were employed in the framework of this package of measures: individual support for businesses which train apprentices; courses provided by the Arbeitsmarktservice (*Labour-Market Service*); additional places in secondary technical and vocational schools and colleges; the establishment of additional apprenticeship placements in independent training institutes; and an increased intake of apprentices in the public sector.

Spending for the whole of the public sector¹⁷ for all levels of education amounted to ECU 9 billion (ATS 125.3 billion)¹⁸. The major part of this expenditure (47%) is met by the federation, followed by the *Bundesländer*, or states, (excluding Vienna¹⁹), with 30%. The proportion covered by the *Gemeinde* (*communes*) (excluding Vienna) was 14%, and Vienna's share was 8%. The remaining amount is met by the Schulgemeindeverbänden²⁰. Broken down by ISCED²¹ level, costs are divided approximately evenly, with a quarter allocated to the primary sector, stage I secondary education and stage II secondary education respectively.

Table 2: Distribution of public expenditure among levels of education according to ISCED, 1994

ISCED level	ECU (million)	ATS (million)	percentage
ISCED 0 Elementary level	795	11 053	8.8
ISCED 1 Primary level	2 013	28 009	22.4
ISCED 2 Stage I secondary education	2 043	28 425	22.7
ISCED 3 Stage II secondary education	2 130	29 639	23.7
ISCED 5 Non-university tertiary level	145	2 011	1.6
ISCED 6/7 University tertiary level	1 617	22 490	17.9
ISCED 9 Not classifiable	264	3 677	2.9
Total	9 007	125 304	100

Source: Austrian Central Office of Statistics (ÖSTAT).

Federal spending on education²² (excluding spending by the *Länder* and in the tertiary sector) continued rising into the 1980s to almost 3% of GDP. Since then the percentage

¹⁷ Federation, states (*Länder*), communes (*Gemeinde*) and Gemeindeverbände for schools. Gemeindeverbände are legal entities formed by the amalgamation of communes (*Gemeinde*), and are given responsibility for undertaking tasks normally the responsibility of the respective communes belonging to the association, through their own organs and in their own name.

¹⁸ Austrian Central Office of Statistics, 12/1996, p.995. In this text, 13.9119 Austrian shillings equal ECU 1 (central rate), unless otherwise specified.

¹⁹ Vienna has a special legal status and is both a federal state (*Land*) and commune (*Gemeinde*). In statistics on spending Vienna is usually counted as a commune.

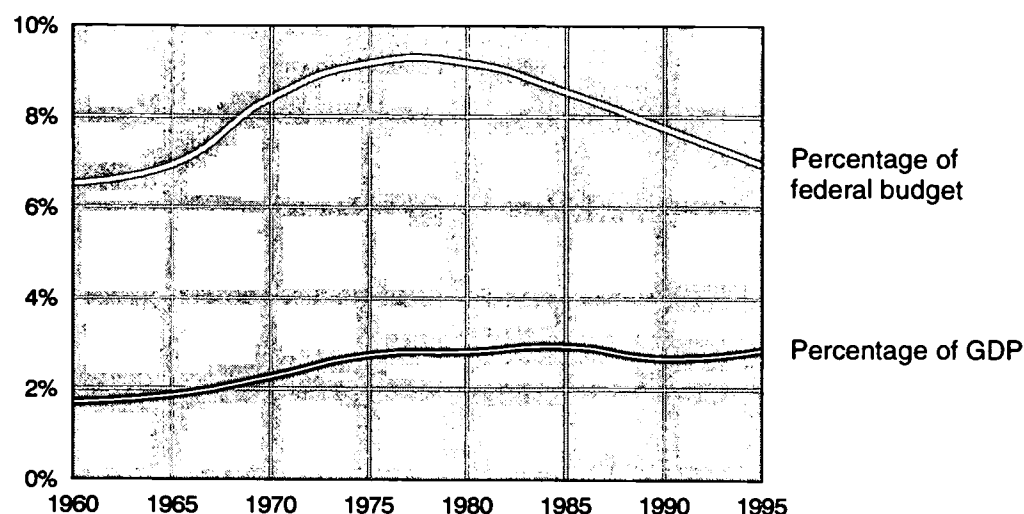
²⁰ Austrian Central Office of Statistics, 12/1996.

²¹ International Standard Classification of Education.

²² Statistical source for federal spending were the pamphlets on the federal budget: chapters 'Teaching', 'Science and Research', 'Youth, Family and the Environment', 'Agriculture and Forestry', and, for buildings, 'Buildings and Technology'.

has remained more or less stable. Education spending by the central government as a percentage of the federal budget rose until the late 1970s and has been on the decline since then.

Figure 1: Education spending by the federal government (excluding higher education



Source: Pechar 1997.

1.3 Legal background

Austria's federal structure is written into its constitution. Legislation is passed at federal and *Land* level²³. The entire State administration may only be carried out on the basis of laws, and each administrative authority can issue regulations within its sphere of competence. The federal ministries are authorised to conduct the affairs of the federal administration. Implementation in the *Länder* is the responsibility of the *Länder* governments. Provision is made by law for the inclusion of well-defined groupings (certain social partner associations - *Kammer*) in the political process. This ensures comprehensive representation of the interests of these groups in the political process, usually just before political decisions are reached.

Legislative competence in the field of education lies essentially at the federal level (Article 14 of the Federal Constitution). The *Länder*, which have legislative competence in other policy spheres, are accorded hardly any influence with regard to vocational education within the education system²⁴.

School legislation is of relevance when it comes to initial vocational training within the educational system. It is a peculiarity of Austrian school legislation that each education act

²³ The *Länder* are responsible for all matters which are not expressly federal matters (Article 15 of the Federal Constitution).

²⁴ see Annex 1 - Legal Regulations.

needs a two-thirds majority in parliament²⁵ before it becomes law. This regulation applies otherwise only to constitutional laws and provisions²⁶. General education in Austria is systematically regulated and comprehensively set out in the *School Organisation Law* (Schulorganisationsgesetz) of 25 July 1962. With the 16th amendment to the School Organisation Act the vocational schools of the dual system were formally integrated into the secondary level of education²⁷. Further sources of law are the *Agricultural and Forestry Federal School Act* (Land- und Forstwirtschaftliche Bundesschulgesetz), the *School Education Act* (Schulunterrichtsgesetz), the *School Education for the Employed Act* (Schulunterrichtsgesetz für Berufstätige), the *Nursing Act* (Krankenpflegegesetz) and the *Grants to School Pupils Act* (Schülerbeihilfengesetz) in their current versions with the relevant regulations. In addition to regulating the recognition of leaving certificates in private schools, the *Private Schools Act* (Privatschulgesetz) contains provisions on the funding of teaching staff.

The training occupations of the dual system are listed and described in an ordinance (Lehrberufsliste - *list of training occupations*). Two trends are evident: to establish new training occupations²⁸ and to collect similar training occupations under the heading of 'group training occupations'²⁹. The in-company part of the training in the dual system is regulated in the *Vocational Training Act* (Berufsausbildungsgesetz) of 1969. The *Children and Young People's Employment Act* (Kinder- und Jugendlichenbeschäftigungsgesetz) and the *Employment of Foreign Nationals Act* (Ausländerbeschäftigungsgesetz) are also relevant for the dual system. In Austria the *Trade and Industry Code* (Gewerbeordnung) regulates self-employment in various occupations. It provides for clearly defined training or similar qualification requirements for certain trades³⁰. The much amended Trade and Industry Code of 1973 was re-issued in 1994 as the *Trade and Industry Code*

²⁵ The Austrian parliament has two chambers: the National Council (Nationalrat) and the Federal Council (Bundesrat). The Nationalrat wields the primary legislative power.

²⁶ After a short interruption, the coalition government has had this two-thirds majority again since 1995 and was thus able to amend or enact laws without the assistance of the opposition parties.

²⁷ The role of vocational schools was legally secured for the first time in Paragraph 46 of the School Organisation Act (Schulorganisationsgesetz) 1962: 'Industrial and commercial vocational schools shall have the task of complementing and promoting the training of a person in an industrial (including commercial) apprenticeship or in a apprenticeship which is the legal equivalent of an apprenticeship through parallel specialised instruction.' For this task Paragraph 49 of the School Organisation Law of 1962 provides for one full day of instruction per week or a continual period of instruction of eight weeks per school level. In 1995 the School Organisation Law was amended to include the words 'at least' to indicate that the instruction time defined in the Law represents the minimum time available for achieving the educational target.

²⁸ One of the many goals of the National Employment Initiative is to expedite the establishment of new apprenticeship trades.

²⁹ Group training occupations are occupations for which similar basic qualifications are taught in the first two years of apprenticeship. Occupational specialisation takes place in the third and fourth years.

³⁰ A distinction is made between the following trades: crafts requiring master craftsman qualifications or a comparable qualification, indentured trades, for which formal qualifications are required (master qualification, attendance at a school or course of instruction, certificates etc.), and free trades, the independent practice of which requires only registration with the local authority. Those trades which are not provided for in the Trade and Industry Code regulations are automatically free trades. The Trade and Industry Code is often caught in the crossfire of criticism and is considered too regulative.

(Gewerbeordnung) of 1994. In an amendment of 1997 the number of trades regulated in the Trade and Industry Code was cut by almost half, from 155 to 84³¹.

Further elements of the legal framework are provided by the *Family Relief Act* (Familienlastenausgleichsgesetz), which regulates family support, and the *Redistribution of Finances Act* (Finanzausgleichsgesetz), which regulates the distribution of costs between the *Länder* and the central government, among other things. *The Federal Act for the Promotion of Adult Education and the National Library* (Bundesfördergesetz über die Förderung der Erwachsenenbildung und des Volksbüchereiwesens) from Federal Funds is relevant to continuing vocational training.

On 1 July 1994 the *Labour-Market Administration* (Arbeitsmarktverwaltung) - which provides and funds most of the training schemes for the unemployed, among other things - ceased to be an integral part of the federal administration. It was made a legal entity and reorganised in the form of a public service enterprise called the *Labour-Market Service* (Arbeitsmarktservice neu)³². The Labour-Market Service also administers and co-finances the funds from the European Social Fund (ESF). These consist mainly of subsidies to businesses for the training of employees. The legal bases for labour-market policies are the *Labour-Market Service Act* (Arbeitsmarktfördergesetze) and the *Labour-Market Promotion Act* (Arbeitsmarktfördergesetz), as well as the respective *Land Labour-Market Promotion Acts* in their current versions with their relevant regulations.

1.4 Administrative background

Vocational education and training is organised in a complicated and complex fashion in respect of funding (staffing costs, construction and maintenance of school buildings), promotion, supervision and administration. A distinction should be made here between the administration and financial support of educational institutions on the one hand, and the support of apprentices themselves and their families on the other.

The administration of the educational sphere at federal level is divided among several ministries because there is no unitary ministry of education. In addition to the *Federal Ministry of Education and Cultural Affairs* (Bundesministerium für Unterricht und kulturelle Angelegenheiten), known as the *Ministry of Education* (Unterrichtsministerium) for short³³, other ministries of relevance in this context are the following:

- *Ministry of Science and Transport* (Bundesministerium für Wissenschaft und Verkehr);
- *Ministry of Agriculture and Forestry* (Bundesministerium für Land und Forstwirtschaft), known as the *Ministry of Agriculture* (Landwirtschaftsministerium);

³¹ Federal Ministry of Economic Affairs, 1997.

³² http://www.parlinkom.gv.at/pd/pm/XX/AB/texte/005/AB00521_.htm

³³ The Education department and the Science department (responsible for schools and universities, respectively) belong to two separate ministries. The two ministers are normally drawn one from each of the two coalition parties.

- *Ministry of Economic Affairs* (Bundesministerium für wirtschaftliche Angelegenheiten);
- *Ministry of Labour, Health and Social Affairs* (Bundesministerium für Arbeit Gesundheit und Soziales), known as the *Ministry of Social Affairs* (Sozialministerium).

The Labour-Market Service is also involved in various ways in vocational education and training through the administration of labour-market policy.

The construction and maintenance of vocational schools is the responsibility of the *Länder*, which are also responsible for the field of vocational education and training via the indirect federal administration³⁴. The federal government is wholly responsible for the administration of vocational education and training at secondary school level. All state and local bodies are involved in the administration of continuing vocational training, the structures of which are less uniform than those of initial vocational training.

Public funding of educational institutions follows the principles of budgetary law. A consequence of cameralistics³⁵ is that the individual institutions are subject to restrictions because their funding is limited to specific uses and to a specific duration. Efforts to give schools and training institutions more responsibility for running themselves, leading to more autonomy, have led to various changes in the legal framework recently, regarding school autonomy and partial legal capacity as well as the regulation of schoolroom allocation³⁶.

In principle, in Austria the financial support of persons undergoing initial training is considered to be family support. As a consequence, individual assistance to trainees is usually funded by the *Federal Ministry of Youth, Family and the Environment* (Bundesministerium für Jugend, Umwelt und Familie)³⁷. The most important source of finance in this connection is the *Family Relief Fund* (Familienlastenausgleichsfonds - FLAF), which serves to redistribute funds between families with children and people without children. The Ministry of Education assists individuals within the framework of pupils' and accommodation grants. The Labour-Market Service plays a particularly significant role in supporting training schemes for the unemployed.

In Austria, the most important taxes³⁸ and dues are levied by federal authorities. The *Länder* receive some of this income through the *redistribution of finances*. Thus compulsory school teachers' salaries, which are paid by the *Länder*, are reimbursed by the

³⁴ That part of federal administration managed by Land authorities.

³⁵ 'State book-keeping' in which all income or all expenditure is added independently of its origin.

³⁶ Cf. Cedefop Monograph.

³⁷ Family allowances are the most important component of family support in Austria and are given to families independently of income. This principle has been criticised by some political groups as superfluous and politically unsound, but it was recently confirmed by the Constitutional Court.

³⁸ In Austria income tax is calculated on the basis of individual income. This is a problem when allocating income-dependent benefits, since the family income is not statistically documented.

federal government through the *financial equalisation process* (Paragraph 3 of the Financial Equalisation *Länder* Act). This 'revenue' amounts to about 60% of their total budget³⁹.

³⁹ The *Länder* also receive the highest financial subsidies - usually earmarked for specific purposes - outside the framework of the financial equalisation. Of particular note are the funds for home building subsidies. Cf. Lehner, 1997.

2.1 Background to initial vocational training

Initial vocational training is the term given to the occupation-related training of young people on completion of compulsory education⁴⁰. In Austria it sometimes even begins in secondary school during the last year of compulsory education (9th grade). Theoretically, therefore, young people start training for various occupations between the ages of 14 and 18. Training takes from one to five years to complete. The majority of young trainees (almost 59%) participate in three- to four-year courses⁴¹. Initial vocational training is the most important form of training in the Austrian educational system. 67.7% of the working population has completed some form of vocational training⁴². Typically initial vocational training follows one of two paths:

- the dual system (in which young people receive in-company training and occupation-related school education concurrently) and
- secondary level II schools⁴³ (secondary technical and vocational schools and colleges).

Figure 2 shows the number of pupils in selected school grades in the different types of school.

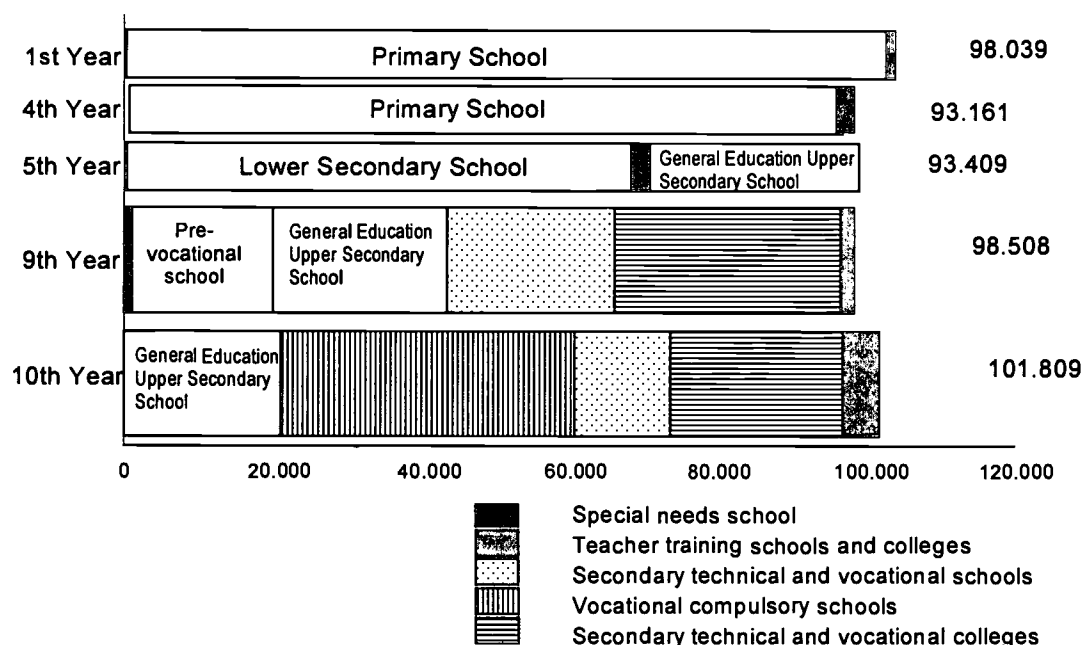
⁴⁰ For a detailed description of the Austrian system of vocational education and training see the Cedefop monograph.

⁴¹ European Commission 1997

⁴² Source: Austrian Central Office of Statistics, micro-census 1995. 5.6% have a certificate from a general education upper secondary school and 26.6% have only a certificate of completion of compulsory education.

⁴³ Corresponds to ISCED Level 3

Figure 2: Number of pupils in selected school grades according to type of school 1996/97



Source: Federal Ministry of Education and Cultural Affairs.

In the dual system (apprenticeship) young people are enrolled in in-company training and receive vocational education in lower secondary compulsory schools. Completion of compulsory education is a pre-condition for starting an apprenticeship⁴⁴. The apprenticeship is based on a contract between a qualified trainer and an apprentice. The in-company part of the training is regulated by the *Vocational Training Act*. The apprenticeship is further regulated by the relevant collective agreements and by labour and social legislation, and by special provisions for the protection of workers, such as the *Children and Young People's Employment Act*.

Four out of ten young people (38.4%⁴⁵) participate in the dual system after compulsory schooling⁴⁶. In Austria in 1997 there were 121 629⁴⁷ apprentices, who were being trained

⁴⁴ Young people who do not have Austrian citizenship or the citizenship of an EU country also need a work permit under the Employment of Foreign Nationals Act.

⁴⁵ Source: Federal Ministry for Economic Affairs, 1997.

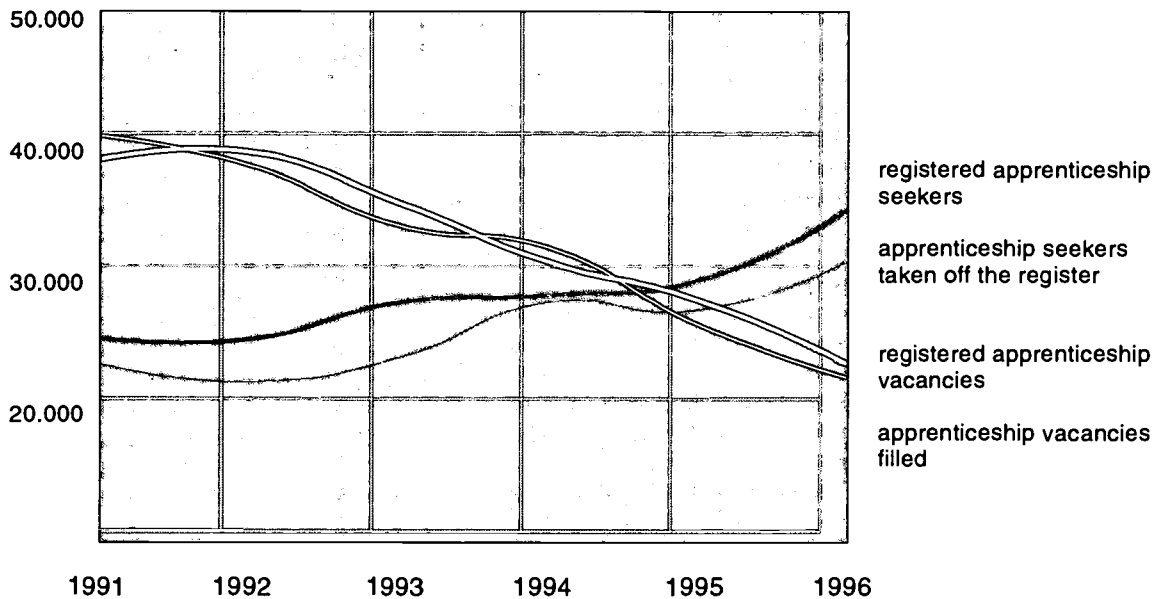
⁴⁶ The proportion of apprenticeship contracts dissolved before term was always between 10 and 12% in recent years. Termination of contract does not necessarily mean that training was discontinued, however, since training can be finished under the terms of a different contract. Cf. Federal Ministry for Economic Affairs 1997, p. 31.

⁴⁷ Chamber of Commerce 1997.

in approximately 40 000 enterprises. Almost half of the training enterprises (45.8%) employ only one apprentice⁴⁸.

Prior to recent demographic and economic developments, there were fewer young people looking for vocational training opportunities than there were openings. There are regional differences, but in 1994 the ratio of those seeking vocational training to training opportunities became reversed, so that there are now fewer training opportunities than applicants for these openings.

Figure 3: *Change in the ratio of applicants to apprenticeships/openings for training,* 1991 to 1996*



* immediately and not immediately available apprenticeship applicants and training opportunities respectively, annual totals.

Source: Labour-Market Service.

Of course the number of young people looking for training opportunities does not remain constant throughout the year. The number of those seeking training opportunities rises steeply in May and June. These are the months in which pupils, who usually finish compulsory schooling at the end of June or the beginning of July, start looking for openings. The number decreases in the course of the year. If we view those still seeking a training opportunity at the end of the year as unemployed, the average national rate of unemployment for those starting vocational training was 12.4% at the end of 1996 (as opposed to 9.0% at the end of 1995)⁴⁹. In December 1995, a total of 5 237 young people had not yet found an apprenticeship. In comparison, the number of those seeking training

⁴⁸ 'On average the number [of apprentices] stays about the same, there are occupations which are on the rise (in construction, electrotechnics, transport and trade, and clerical occupations), in four fields the number remains stable (hairdressers, hotellery, technical service industry and wood processing) and in the spheres of metal-working and the broad field of other occupations the number of apprentices [...] has dropped.' Lassnigg 1997 (a).

⁴⁹ Labour-Market Service 1997, p. 18.

opportunities in December 1997 was 4 101. Employment policy is geared to create more training opportunities for these young people.

In addition to demographics, a number of structural factors have led to this change. Industry, in particular, requires fewer qualified apprentices, but the training opportunities in trades and crafts, tourism and the leisure industry are also declining. Enterprises decide to withdraw from this form of training for many reasons. The demand for workers is covered increasingly by school-leavers or directly by the labour market. Technological developments and changes in the manufacturing sector are major factors. Others are the general decline of this sector and a trend towards highly qualified occupations in the service sector. Further reasons are: economising in the area of in-company training and continuing training, the privatisation of nationalised industries, and the new occupational profiles resulting from increasing specialisation. In many cases, employers cite the economic and legislative climate in the training sector as reasons for taking on fewer apprentices: costs, the costs of breaking apprentices' contracts ahead of time, vulnerability to poaching, etc.

In addition to apprenticeships, in-school initial vocational training is available at stage II secondary education. Schools providing vocational training can be divided into *secondary technical and vocational schools* (Berufsbildende Mittlere Schulen) and *secondary technical and vocational colleges* (Berufsbildende Höhere Schulen)⁵⁰. Both types offer general education as well as vocational training⁵¹.

The secondary technical and vocational colleges offer five-year courses ending with a double qualification (occupational qualifications and university entrance requirement - the *Matura*). In 1997 there were 34 509 young people in the final year of all schools providing university entrance-level education. Vocational colleges accounted for 18 634, or 54% of them⁵².

The secondary technical and vocational schools usually offer three- to four-year courses, although some are shorter. Their qualifications correspond approximately to those of the dual system, i.e. they educate pupils to the standards of a skilled worker or middle-level salaried employee.

In 1996 a total of 147 703 pupils⁵³ attended secondary technical and vocational schools and colleges⁵⁴. In addition, approximately 3 300 were being taught in 1998 in *secondary*

⁵⁰ In most of both the secondary technical and vocational schools and colleges a period of work experience is provided for pupils during the holiday months. The obligatory period of work experience is four weeks in secondary technical and vocational schools and eight weeks in the secondary technical and vocational colleges.

⁵¹ For more precise information on the system of vocational schools see the Cedefop Monograph.

⁵² Including teacher training colleges and colleges for nursery teachers, Source: Federal Ministry for Education and Cultural Affairs, 1997.

⁵³ Source: Federal Ministry for Education and Cultural Affairs, 1997.

colleges for agriculture and forestry (land und forstwirtschaftlichen höheren berufsbildenden Schulen). These colleges are run by the Ministry of Agriculture. Approximately 12 400 young people are attending secondary schools for agriculture and forestry or agricultural vocational schools in 1998. Many of those who enrol complete the first class (9th grade), however, in order to avoid the unpopular *polytechnical school* (Polytechnische Schule). They can then transfer to the dual system.

In 1992, 22.9% of all those enrolled in vocational middle or higher schools left school between the 9th and 10th grades. This amounted to 8 500 young people⁵⁵. More than one third (37.7%) of the remaining members of an age group attend a middle or higher vocational school at 10th grade. The percentage decreases rapidly in higher grades⁵⁶. Since no statistics in Austria follow the course of pupils through school, the number of dropouts can only be estimated by comparing the numbers of pupils in consecutive school years in the corresponding grades. Present estimates show that the net number of pupils leaving at the upper secondary grade is probably about 20% of those who enter both schools and enterprises⁵⁷.

Estimates of the percentage of pupils who leave the educational system when they finish compulsory schooling and do not follow it up with either an academic education or an apprenticeship vary greatly. The *National Employment Initiative* (Nationale Aktionsplan zur Beschäftigung), for example, assumes 3%. Another estimate gives 9-10%⁵⁸, or about 10,000 young people a year⁵⁹.

2.2 Funding sources and distribution mechanisms for initial vocational education and training

Most funds for direct financing of initial vocational training come from public sources. Almost no European Union funds are available for initial vocational training.

Responsibility for financing schools lies in principal with the authority responsible for their organisation and administration. This is the federal government in the case of secondary

⁵⁴ In Austria there are three types of secondary technical and vocational schools and colleges. These are: secondary schools and colleges for engineering, arts and crafts, secondary schools and colleges for occupations in the business sector and secondary schools and colleges for occupations in service industry management.

⁵⁵ Source: Labour-Market Service 1997.

⁵⁶ Cf. Federal Ministry for Economic Affairs, 1997.

⁵⁷ 'If we assume that some of those dropping out of full-time schooling transfer to an apprenticeship (the reverse is probably rare) we can also assume a sort of 'chain of displacement', at the end of which are the drop-outs from apprenticeships, who will find it difficult to find any further training opportunities.' esf-news 3/98 p.9.

⁵⁸ Cf. Lassnigg 1997 (c) p. 45.

⁵⁹ According to the micro-census, in 1993 every 5th (18.8%) employee still belonged to the category of compulsory school leavers. The proportion has remained more or less constant in recent years.

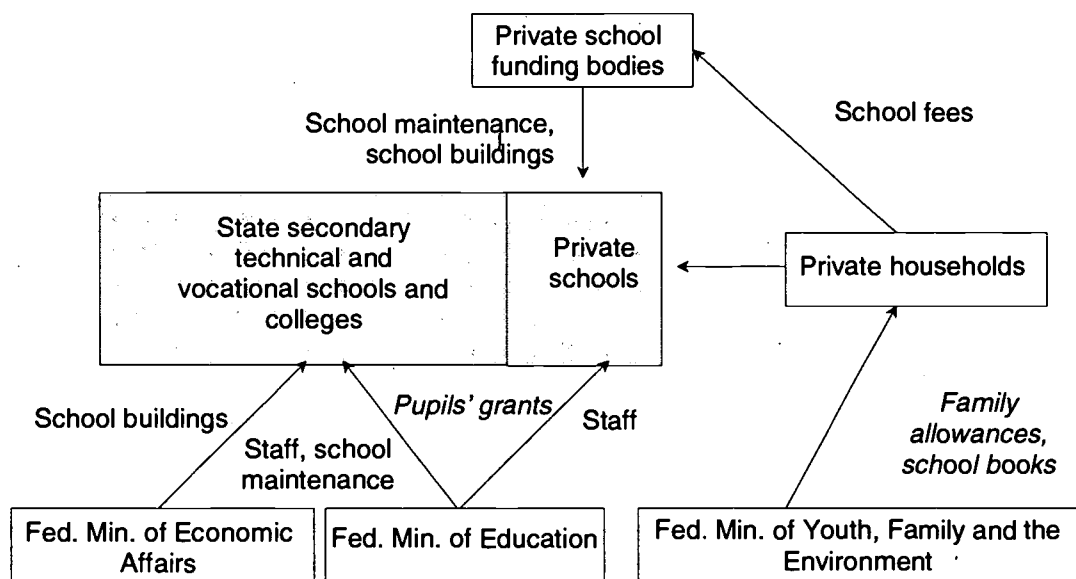
technical and vocational schools and colleges, and general education upper secondary schools. The *Länder* are responsible for compulsory level schools providing vocational training in the dual system. Within these two levels, however, a number of ministries and authorities are responsible for school administration and funding, as well as a number of transfer payments. As a result, it is not always possible to determine total public spending on education.

Apart from these direct costs, various forms of financial aid are given to apprentices and their families. This spending is usually related to the provision of welfare, in particular to family support.

The *Länder* and training enterprises share the costs of the dual system. The former subsidise vocational schools and the latter cover the costs of training, remuneration for apprentices and incidental labour costs (e.g. employers' social security contributions). The Labour-Market Service, as an organ of active labour-market policy, is playing an increasingly important role in funding the dual system.

Apart from this basic division, which is not always adhered to consistently, private households and private school sponsors defray some of the costs of initial vocational training.

Figure 4: Cash flows in the vocational education system*



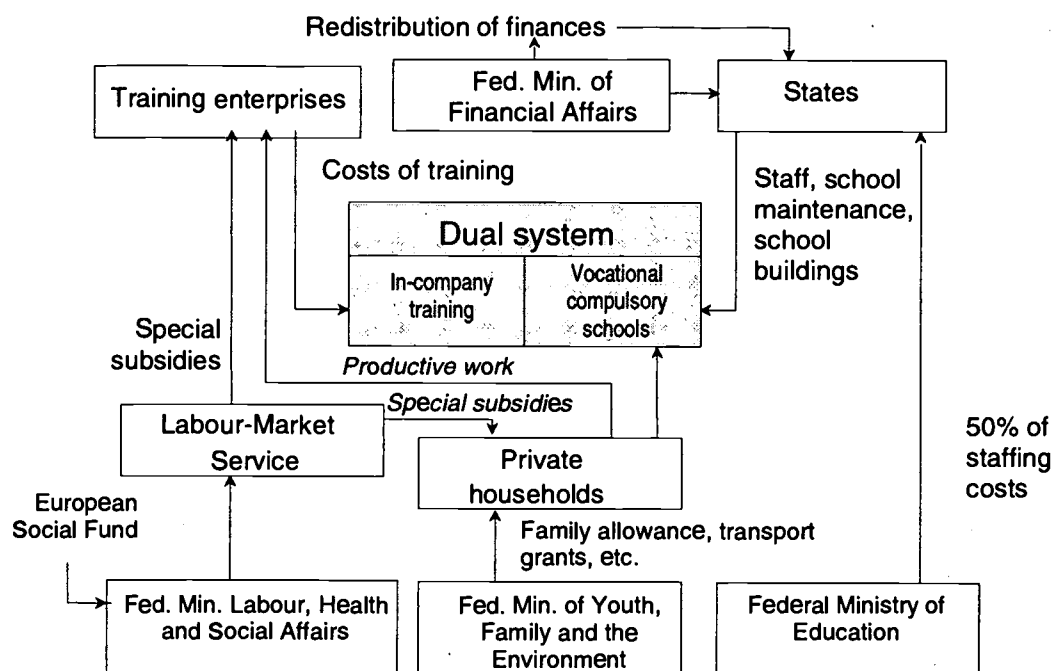
* For the sake of clarity, agricultural and forestry schools and schools for the medical profession were not included in the diagram.

Indirect cash flows are shown in italics.

Source: Institute of Industrial Science.

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Figure 5: Cash flows in the dual system*



* For the sake of clarity, agricultural and forestry schools are not included in the diagram.

Indirect cash flows are shown in italics.

Source: Institute of Industrial Science.

2.3 Direct sources of funding

2.3.1 Sources of funding for secondary technical and vocational schools and colleges

2.3.1.1 Public costs

Most vocational middle and higher federal schools are funded by the *Federal Ministry of Education and Cultural Affairs*. The exceptions are schools and colleges of agriculture, forestry and nursing. The agricultural and forestry colleges are funded by the Ministry of Agriculture, whereas the agricultural and forestry schools are funded by the *Länder*. However, the Ministry of Agriculture refunds the *Länder* 50% of the costs for teaching staff, both for the agriculture and forestry schools and for the agricultural vocational schools. General nurse training takes place in hospital nursing schools, which are the responsibility of the *Federal Ministry for Labour, Health and Social Affairs*. The costs of new buildings and maintenance of property for all schools in the secondary sector level II are covered by the *Federal Ministry of Economic Affairs*⁶⁰.

⁶⁰ There are few newly built schools in Austria. Most schools have been adapted, modernised and extended or built onto.

In the past ten years, expenditure by the Federal Ministry of Education has almost doubled, although the number of pupils has risen only marginally. This rise was due to new school responsibilities such as integration, remedial education, and compulsory subject options, but also to changes in the age structure of the teaching workforce. In 1997 a total budget of ECU 4 829 million (ATS 67 185.4 million) was proposed for the Federal Ministry of Education, ECU 866 million (ATS 12 050 million) of this as running costs for secondary technical and vocational schools and colleges⁶¹.

Further, the school and accommodation allowances granted by the Ministry of Education to secondary pupils from the tenth grade on - when they fulfil the statutory conditions - must be subsumed under direct funding⁶². In the school year 1996/97 a total of ECU 33 million (ATS 456 million) was spent on 24 785 beneficiaries⁶³. ECU 27.3 million (ATS 380 million) was spent on eligible vocational school pupils and their families. Grants to students at medical technical institutes and federal schools of midwifery are financed by the Ministry of Health, which allocated a total of approximately ECU 350 000 (ATS 4.89 million) in the 1996/97 academic year. Grants to students averaged ECU 741 (10 314 ATS) for the 1996/97 academic year, the accommodation grants averaged ECU 985 (ATS 13 710) and combined pupils' and accommodation grants ECU 1 756 (ATS 24 431) per year.

2.3.1.2 Costs borne by 'private' funding

In addition to the State schools⁶⁴ there are various private schools, which were attended by 8% of pupils in the 1995/96 school year. These are usually general education or compulsory education schools belonging to accredited churches and religious denominations. According to Paragraph 18 of the *Private School Act* (Privatschulgesetz), church-owned private schools are entitled to subsidies to cover the costs of teaching staff, including the headmaster (so-called '*living subsidies*' (lebende Subvention)). Non-church private schools can claim these subsidies under certain conditions (Paragraph 21 Private School Act). Public funding is available for the acquisition of teaching aids and for equipment modernisation. The remaining costs must be covered by the private school

⁶¹ Personnel costs are included as extra items in the preliminary draft budget proposal and in the final accounts, but the figure is not very informative, since it only includes those persons employed directly by the federal government. Most personnel costs (trainee teachers, teachers at private schools, teachers at denominational schools and exchange teachers and assistants) are itemised as 'operating expenses'.

⁶² The Pupils' Grants Act of 1983 regulates eligibility for school, boarding and transport allowances. Pupils are eligible from the 10th grade on. Conditions of eligibility for pupils' grants are need, academic achievement, and not having repeated a class. Factors such as income, civil status and size of family count in assessing need. Academic achievement is indicated by average marks in compulsory subjects. The basic grant is approx. ECU 890 (ATS 12 500) a year. The basic grant can be increased or reduced depending on various factors. The basic grant for boarding is about ECU 1 080 (ATS 15 000) a year and is given to pupils who live away from their parents' place of residence for the purpose of attending school. The practicalities of application and allocation are organised by the relevant pupils' grants authorities, which are part of the regional schools' inspectorate (federal authority).

⁶³ In contrast to many other expenses, these are decreasing.

⁶⁴ State schools are those schools established and maintained by those legally responsible under Article 14(6) of the Federal Constitution, where enrolment is not restricted.

operators themselves from school fees and other sources⁶⁵. Catholic school funding bodies spent a total of ECU 15.2 million (ATS 211 million) on secondary technical and vocational schools and colleges alone (without the staff costs covered by federal government)⁶⁶.

In 1994 a total of ECU 510 million (ATS 7 100 billion⁶⁷) was spent in the private school sector on all types of school⁶⁸. The bulk (49.7%) of this spending, a figure given by the *Austrian Central Office of Statistics* (Österreichisches Statistisches Zentralamt - ÖSTAT), cannot be categorised. Of the spending which could be identified, 5.7% went on the primary sector, 8% on the secondary sector level I and 28.6% on the secondary sector level II. About 8% went to the non-university tertiary sector (e.g. colleges, academies).

2.3.1.3 Costs borne by private households

In Austria State schools are basically free. Private households only have to bear the living costs and some of the costs of teaching materials. Vocational education spending by private households is comprised of four categories:

1. contribution to costs of school books and free public transport for pupils;
2. school fees for private schools;
3. private remedial tuition;
4. living costs, plus opportunity costs in the form of loss of earnings and loss of pension for periods when no contributions were paid.

School books are provided by the government, but since 1996 pupils have to pay a 10% share. For the secondary vocational schools and colleges this contribution totals approximately ECU 2 million (ATS 28 million). Pupils also have to contribute ECU 19 (ATS 270) a year towards the cost of their free public transport. No data are available on the expenditure of private households on other teaching materials (notebooks, school field trips, etc.).

Most private schools do charge fees, which can be considerable. However, no data are available on the costs to private households.

⁶⁵ In the Catholic schools an average of 82% of costs (excluding personnel costs) are covered by school fees. Steinbiller, 1997, p.32.

⁶⁶ Catholic school sponsors spent a total of ECU 54 million (ATS 756 million) for all school levels. These figures are relatively statistically reliable, since estimations are based on the costs per pupil as calculated on the basis of calculations for various Catholic private schools.

⁶⁷ Source: Austrian Central Office of Statistics, Statistische Nachrichten 12/1996 p. 998. The 1994 survey covered about 60% of all private schools in Austria.

⁶⁸ It should, however, be mentioned that these figures referred to spending and not to the costs of the private school sector, which includes spending by private kindergartens, teacher training colleges, schools of nursing, pedagogical academies etc. including spending by semi-boardings and boarding schools, as well as compulsory education schools and upper secondary schools. Cf. Steinbiller, 1997, p. 33.

The media regularly report on the alarming rise in the number of pupils needing private remedial tuition. The reasons will not be examined here. It is estimated that 40% of all pupils have received private remedial tuition (including free tuition). The portion of pupils of secondary technical and vocational schools and colleges needing remedial tuition is even higher - about 50%. The aggregated private expenditure of parents per school year is estimated to be up to ECU 115 million (ATS 1 600 million)⁶⁹.

Deciding to enter initial vocational training means, in the first place, giving up earnings during training. Loss of earnings in the widest sense during training can be looked on as an opportunity cost. The loss of earnings includes losses owing to non-payment of social insurance contributions while in training. To look on loss of earnings as an opportunity cost only makes sense, of course, if we assume that the young people would have found employment had they not opted for training. If, on the other hand, we assume that schools and the dual system have the function of 'keeping young people off the streets', i.e. that the educational and training sectors keep the unemployed young people occupied, this concept of opportunity costs makes no sense. In this case, the opportunity cost is the loss of income⁷⁰, taking into account the probability of finding employment⁷¹.

Statistics in Austria do not permit calculation of life income. There is no way to compare the opportunity costs borne by young people who enter employment immediately without undergoing training and young people who do gain qualifications first⁷².

One advantage which those who qualify through the dual system have over secondary technical and vocational school and college graduates is that they receive pension credits for the years spent in training. Contributions are paid into the pension insurance fund for apprentices, but pupils can only make extra payments later to increase their credits⁷³. However, portraying these costs as an opportunity cost of attending secondary technical and vocational schools or colleges does not seem justified if we recall that 15 working years suffice to qualify for a minimum old-age pension and 35 years of work suffice for the standard old-age pension⁷⁴, and that secondary vocational school and college graduates

⁶⁹ Cf. Neuhofer, 1997, p.35. This figure is not very statistically reliable though owing to the sampling method used. Nor is it possible to calculate from the data spending which was destined solely for pupils in secondary vocational schools and colleges.

⁷⁰ After deduction of remuneration in the case of apprentices.

⁷¹ The average net annual income of workers under 19 years was approximately ECU 10 280 (ATS 143 000) in 1997. Source: Social insurance statistics. Gross annual income was about ECU 13 230 or ATS 184 000. An evaluation of the national census 1991 showed that the rate of unemployment (according to the Austrian method of calculation) for persons having only compulsory schooling was 8.2.%. Cf. Fassmann, 1997.

⁷² No statistics are available in Austria on the living costs of pupils and apprentices.

⁷³ A contribution for one school month cost about ECU 230 (ATS 3 192) in 1998 (only 16 contributions can be paid in for vocational middle school times and 24 for vocational higher school times). From the age of 40 onwards the contributions are increased to include a risk premium. The cost is fully tax-deductible.

⁷⁴ The normal age of retirement in Austria is 65 for men and 60 for women.

are rarely older than 18 or 19. Therefore the duration of initial vocational training cannot be blamed if too little has been paid into the pension fund.

Table 3 summarises direct spending on initial vocational training in Austrian schools. It does not cover opportunity costs.

Table 3: *Direct spending on secondary technical and vocational schools and colleges in the years 1986, 1991, 1996 and 1997 in ECU (million) and ATS (million) without opportunity costs*

Year	1986		1991		1996		1997	
	ECU	ATS	ECU	ATS	ECU	ATS	ECU	ATS
Ministry of Education	577.3	8 032.4	741.3	10 313.4	889.9	12 380.6	893.7	12 432.4
Ministry of Agriculture	19.3	268.5	26.5	368.9	31.9	444.3	32.1	446.6
Ministry of Economic Affairs	-	-	96.4	1 341.6	67.3	936.5	67.6	940.8
Total public costs	596.7	8 300.9	864.3	1 023.9	989.2	13 761.4	993.4	13 819.7
Private school sponsors	9.3	130.0	12.2	170.0	15.2	211.0	15.2	211.9
Private households	0.0	0.0	0.0	0.0	2.6	36.5	2.7	37.0
Total private costs	9.3	130.0	12.2	170.0	17.8	247.5	17.9	248.9
Total	606.0	8 430.9	876.5	12 197.4	1007.0	14 008.9	1 011.3	14 068.6

* including pupils' grants.

** including costs of buildings for general education upper secondary schools, no values available for 1986.

*** figures for 1986, 1991 and 1997 are estimates (the privately funded share of expenditure of the Ministry of Education in 1996 was applied to the corresponding years).

**** private contributions for school books. School fees, expenditure for teaching materials with the exception of school books and spending on remedial tuition are not included.

Source: Federal Ministry of Education, Federal Ministry of Agriculture, Federal Ministry of Economic Affairs, Institute of Industrial Science calculation.

2.3.2 Funding of the Dual System

2.3.2.1 Public funding

Apprenticeships, including vocational school, take at least two and at most four years. Most occupations require three years training⁷⁵. Apprentices of a given year attend vocational school at least one full day or two half days a week, or apprentices alternate between periods of training and periods of school courses. Apprentices attend vocational school 1.5 days a week throughout term time for the first year of training, and one day a week from the second year. In heavily populated areas, and especially in Vienna,

⁷⁵ Cf. Federal Ministry of Economic Affairs, 1997. Persons who have already undergone other training, usually AHS, can also qualify after a shorter period of training. In 1996 there were 960 such apprenticeships. For statistical reasons all these apprenticeships are included under initial vocational training.

instruction is almost always given throughout the year, whereas in rural areas courses are the prevalent form of instruction, and usually involve a period of residence at boarding school. The young people must be given time off to attend vocational school for compulsory education.

The *Länder* provide the funds for school education in the dual system. These cover the costs of investments and the operating costs of the vocational schools. Both teaching and non-teaching staff are employed by the *Länder*, but the federation refunds 50% of the costs for teachers. Since apprentices receive public education only once a week (or eight to twelve weeks a year in boarding schools, spread over the year), the per capita cost of vocational schools to public budgets is relatively low in comparison with vocational schools and colleges in the secondary sector. Attendance at vocational schools cost the central government an average of ECU 690 (ATS 9 600)⁷⁶ per apprentice in the 1996/97 school year. Added to this are the costs to the *Länder*, which depend on whether instruction is given at boarding school or not.

In 1995 the *Länder* spent ECU 495 million (ATS 6 890 million) on vocational schools, of which the Ministry of Education reimbursed ECU 92 million (ATS 1 300 million) and the Ministry of Agriculture an additional ECU 32 million (ATS 442.6 million)⁷⁷.

2.3.2.2 Private costs

In contrast to classroom education in the dual system, practical training is privately funded by the individual *training enterprise* - albeit with some public subsidy. An enterprise costs for apprentice training may comprise the following elements:

- Apprentice remuneration;
- Costs of training;
- Payments for apprentices: taxes, insurance and voluntary social security contributions⁷⁸;
- Costs of materials, equipment, training workshops and administration.

Apprentice remuneration averages ECU 9 093 (ATS 126 500) a year and represents the apprentice's earnings for productive work, which takes up an average of 45% of the apprentice's training time⁷⁹. Apprentices receive approximately 20-25% of the starting salary of a corresponding qualified worker⁸⁰.

⁷⁶ Source: Federal Ministry for Education and Cultural Affairs, 1997.

⁷⁷ These amounts include half the staff costs of the secondary technical and vocational schools.

⁷⁸ Social insurance contributions for apprentices comprise(d) the following: health insurance 3.95% (paid exclusively by the apprentice), accident liability insurance 1.4% (paid exclusively by employer), pension insurance totalling 22.8%, 12.55% paid by employer and 10.25% by apprentice, and, in the last year of apprenticeship. unemployment insurance 6%, half paid by employer and half by the apprentice. In the course of labour-market policies payment of the accident liability insurance for apprentices was suspended.

⁷⁹ Cf. Lassnigg 1997 (a) p. 15.

⁸⁰ Cf. Burda-Buchner, (no date) p.3.

Each training enterprise must employ at least one person, depending on the occupation and number of apprentices, with the relevant skills to provide in-company training. The average instruction time a trainer devotes to each apprentice ranges from 3.5 to 7.7 hours a week. Thus the productive contribution of the trainer to the enterprise is reduced by an average of 14%⁸¹.

No statistical data are available on the aggregated costs of apprentice training to the training enterprises. The following data have therefore been derived from model calculations. Two such model calculations have been made in Austria⁸². Both are based on randomly collected data. One study was commissioned by the *Viennese Workers' Chamber* (Arbeiterkammer Wien), an organisation of employees, and the other by the *Chamber of Commerce* (Wirtschaftskammer), an employers' organisation. Although the two studies used essentially the same methods, they produced very different findings, in particular in respect of aggregated net costs.

Gross spending per apprentice taken over all occupations amounted to ECU 13 090 (ATS 182 100) according to the employees' study or ECU 12 500 (ATS 174 000) according to the employers' study. This figure varies from occupation to occupation⁸³. The most significant areas of spending are labour costs and apprentice remuneration, which make up 75%, and the cost of staff training apprentices in their working time (22%)⁸⁴.

Company income from apprentices' productive work should be deducted from costs to the training enterprise of apprenticeships. They vary greatly according to the method of calculation employed⁸⁵ and depend on whether the enterprise is running at full capacity. The 'employees' study' values apprentice output at between ECU 8 230 (ATS 114 500) and ECU 10 200 (ATS 141 900⁸⁶) a year. The 'employers' study' estimates an average benefit of approximately ECU 9 490 (ATS 132 000).

Thus in Austria in 1995 the average net expenditure of enterprises per apprentice for all occupations (gross expenditure minus income) was between about ECU 2 890

⁸¹ Lassnigg 1997 (a) p. 14.

⁸² Lorenz LASSNIGG, Peter STEINER, Die betrieblichen Kosten der Lehrlingsausbildung, Vienna, June 1997 und Adolf STEPAN, Gerhard ORTNER, Markus OSWALD, Die betrieblichen Kosten der Berufsausbildung, Vienna, January 1994.

⁸³ Thus it is significantly higher for occupations in metal working and electrotechnics (ECU 17 970 [ATS 250 000]) and lower for hairdressers (ECU 7 190 [ATS 100 000]). Cf. Lassnigg 1997 (a) p.23.

⁸⁴ Since there are various statistical difficulties involved in aggregating these figures separately, we have not attempted to differentiate between direct and indirect costs in estimating the costs to an enterprise of apprentice training. Indirect costs such as administrative or investment costs are included as direct costs.

⁸⁵ Equivalent costs or cost of substitution.

⁸⁶ In companies working to full capacity the average income contributed by an apprentice is significantly higher, at about ECU 18 265 (ATS 254 100). (Substitution of costs with enterprise at full capacity).

(ATS 40 200⁸⁷) and ECU 4 860 (ATS 67 600⁸⁸) according to the 'employees' study' or ECU 3 020 (ATS 42 000) according to the 'employers' study'.

The aggregated net total expenditure of enterprises amount, depending on the model, to around ECU 216 million to ECU 430 million (ATS 3 000 – 6 000 million or 3-6 thousand millions)⁸⁹. The earlier study showed substantially higher costs. This could be a sign that there really has been a decline in aggregated company costs in training in the dual system. 'This need not signify that the costs have in fact dropped. It could point to a process of selection, whereby enterprises with higher costs have withdrawn from training activities to a proportionally greater extent.'⁹⁰

In the dual system, as with secondary vocational schools and colleges, private households bear only part of the financial burden. Compulsory education, which normally takes place throughout the year in vocational schools, is usually provided in block form in rural, sparsely populated areas. For the apprentice, this involves boarding for the duration of school attendance⁹¹. The costs of boarding up to the amount of the apprentice's remuneration have to be borne by apprentices themselves. The training enterprise has to cover the difference between the apprentice's remuneration and the actual costs of boarding (Paragraph 9(5) of the Vocational Training Act). In a few branches (e.g. in industry) the training enterprise covers the whole of the boarding costs; in some other occupations the training enterprise covers up to half the boarding costs. These costs cannot, however, be presented in an aggregated form. The same is true of the costs for privately bought teaching materials and living costs. Table 4 summarises the costs of the dual system. The costs borne by the training enterprises in particular are only estimated costs and must therefore be interpreted with caution.

⁸⁷ Substitution concept.

⁸⁸ Equivalence concept.

⁸⁹ Owing to the high dispersion of the net expenditure of different enterprises, this figure has a high rate of error. The study commissioned by the employers' representatives shows an amount approximately double that in the study commissioned by the employees' representatives. The results of the employers' study read as follows: 'In all, training enterprises spent - at an estimation - a little less than ECU 1 800 million (ATS 24 500 million) on training in 1992. About two thirds of this, approximately ECU 1 200 million (ATS 16 500 million), went on labour costs (mainly apprentices' remuneration). At an estimation, apprentices' earned about ECU 1 300 million (ATS 18 500 million) for their enterprises in the same period, which is a little more than the aggregated apprentices' remuneration of ECU 1 200 million (ATS 16 500 million). Thus the net cost of apprentice training in Austrian industry was about ECU 430 million (ATS 6 000 million). Schneeberger 1997, p.25.

⁹⁰ Lassnigg 1997 (a), p. VII.

⁹¹ Thus all the vocational schools of rural Niederösterreich take in boarders, whereas boarders are the exception in Vienna.

Table 4: Expenditure on the dual system in 1986, 1991, 1996 and 1997, in ECU (million) and ATS (million)

Year	1986		1991		1996		1997	
	ECU	ATS	ECU	ATS	ECU	ATS	ECU	ATS
<i>Länder</i>	330.8	4 601.9	351.6	4 891.6	495.1*	6 887.7*	495.1*	6 887.7*
borne by Ministry of Education	58.8	818.5	76.3	1 060.9	92.0	1 279.4	92.0	1 279.4
borne by Ministry of Agriculture	20.1	280.1	25.6	356.7	31.8	442.6	32.9	457.2
Training enterprises**	ECU 216.6 to 431.3 mill. or ATS 3 to 6 bill.							
<i>Total in billions</i>	<i>0.54-0.76</i>	<i>7.6-10.6</i>	<i>0.57-0.78</i>	<i>7.9-10.9</i>	<i>0.71-0.93</i>	<i>9.9-12.9</i>	<i>0.71-0.93</i>	<i>9.9-12.9</i>

* In 1995.

** Results of the two model calculations.

Source: Austrian Central Office of Statistics, IHS, IBW, Institute of Industrial Science calculation.

2.4 Indirect sources of funding

Indirect financing for participants in the vocational education and training system comes mainly from the maintenance which parents are obliged to pay under the provisions of the *General Civil Law* (Allgemeines Bürgerliches Gesetzbuch). Pupils (and students) are considered members of the parental household and as such receive benefits from public funds. Thus the indirect costs of initial vocational training relate mainly to family policies. The most important forms of family support in Austria are:

- family allowances;
- free cover under parents' insurance;
- tax rebates for families with children;
- and in the case of one-income families, a general rebate for the earner⁹².

Also, since 1998 training enterprises have been entitled to a tax exemption of ECU 1 438 (ATS 20 000) per apprentice. They are also supported by the Labour-Market Service within the framework of active labour-market policies.

2.4.1 Benefits from the Family Relief Fund

The principle that support of apprentices is a family support measure means that the *Federal Ministry for Youth, Family and the Environment* is largely responsible. Most of the

⁹² The aggregated costs of insurance cover and the loss of income tax returns through rebates cannot be calculated, since on the one hand the size of the rebate increases with the number of children per household, and on the other data from the Ministry of Finance and the Ministry of Education are not compatible.

spending is covered by the *Family Relief Fund*, which has been in existence for more than 40 years. The redistribution fund for family benefits is essentially financed from the following sources:

- employer's contribution of 4.5% of the wage;
- contributions from income tax and corporate taxes;
- contributions from agricultural and forestry enterprises;
- contributions from the Länder.

Revenue from the various sources is earmarked for specific purposes which can only be changed by parliament⁹³.

The Family Relief Fund spends most on *family allowances*, which at present are paid to 1.1 million eligible households and 1.8 million children. In 1996 ECU 2 343 million (ATS 32 600 billion) out of a total of ECU 3 918 million (ATS 54 500 billion) in the Family Relief Fund were spent on family allowances. The allowance was conceived as a means of redistributing resources from households without children to families with children, and amounts to ECU 93.5 (ATS 1 300) a month for children up to the age of nine, ECU 111 (ATS 1 550) for children aged 10 to 18 years and ECU 133 (ATS 1 850) a month for children aged 19 and over. Family allowances are paid in full for all children up to the age of 18 regardless of the child's income. In principle, apprentices' remuneration is not taken into consideration even after the age of 18. In 1996 an estimated ECU 230 million (ATS 3 200 billion) was spent on all pupils in secondary technical and vocational schools and colleges, and a total of ECU 178 million (ATS 2 500 billion) on apprentices in vocational schools⁹⁴.

Apart from family allowances, the Family Relief Fund finances the *school book initiative* (Schulbuchaktion) and *free transport for pupils* (Schülerfreifahrt), as well as further measures for the support of families which, however, have no connection with vocational education and training.

Since 1972/73 pupils throughout Austria have been supplied with school books free of charge. Since its inception, the costs of this school book initiative⁹⁵ have risen nominally from ECU 40.8 million (ATS 567 million) to ECU 86.3 million (ATS 1 200 million), although in real terms the prices are lower. The number of pupils fell during this period. In 1996 the budget for this initiative up to the year 2000 was frozen at the 1996 level, and a 10%

⁹³ Cf. Clarification note from the Ministry for Families (12.1.98)
<http://www.bmu.gv.at/bmu/meldungen/1flaf.htm>.

⁹⁴ These sums are calculated by the simple multiplication of annual family allowance (ATS 18 600) by the number of pupils and apprentices. Some error is unavoidable in this connection, because the disabled and handicapped receive higher allowances. Since the family allowances are paid by the Ministry for Families, these are not compatible with those of the Ministry of Education.

⁹⁵ The higher general secondary schools and higher institutes of learning have the highest average costs for school books. The average costs for pupils of the upper grades in grammar schools are ECU 165 (ATS 2 300) per pupil per year. Cf Austrian Central Office of Statistics, Statistische Nachrichten 12/1996 p. 997.

contribution was imposed on private households. A total of ECU 26.6 million (ATS 370 million) was spent on all pupils in secondary technical and vocational schools and colleges and in vocational schools in the school book initiative.

Public transport to and from schools for the purpose of attending school are paid for pupils and apprentices from the Family Relief Fund budget. In 1996 a total of ECU 316 million (ATS 4 379 million⁹⁶) was spent on school travel grants and free public transport for pupils of all grades⁹⁷. In the 1996/97 school year 25.6% of all pupils attended vocational schools in the broadest sense (secondary technical and vocational schools and colleges, vocational schools, colleges for nursery teachers and social workers)⁹⁸. This percentage is the basis of the estimate that ECU 80.6 million (ATS 1 121 million) was spent in 1996.

Table 5: *Indirect expenditure from the Family Relief Fund on initial vocational training in the years 1986, 1991, 1996 and 1997 in ECU (million) and ATS (million)*

Year	1986		1991		1996		1997	
	ECU	ATS	ECU	ATS	ECU	ATS	ECU	ATS
Family allowance for pupils*	212.5	2 956.2	221.0	3 073.8	229.9	3 198.3	236.3	3 287.9
Family allowance for apprentices*	197.3	2 744.2	200.3	2 786.9	178.3	2 479.9	171.8	2 389.8
Free transport for pupils**	28.0	390.2	28.3	393.3	35.0	487.1	37.0	514.5
Free transport for apprentices**	0.0	0.0	0.0	0.0	13.2	184.0	14.4	200.0
School book initiative***	20.5	285.5	22.8	317.3	26.6	370.0	26.6	370.0
Total	458.3	6 376.1	472.4	6 571.3	483.0	6 719.3	486.1	6 762.2

* estimated values: calculated by multiplying the number of pupils and apprentices by the annual family allowance.

** estimated values: calculated by subtracting the share for pupils in secondary technical and vocational schools and colleges and agricultural secondary schools and colleges from the total expenditure on free transport for pupils and school transport allowances for all pupils.

*** Figures for 1986, 1991 and 1996 are estimates. For these years it represents vocational pupils' share of total school book initiative spending.

Source: Accounts, Federal Ministry of Education and Cultural Affairs, Federal Ministry of Youth, Family and the Environment, Institute of Industrial Science calculation.

2.4.2 Other Subsidies

The sources of funding listed above are supplemented by two other forms of subsidy in Austria's dual system. The more substantial of the two is the support of (training) enterprises to help those with fewer opportunities to gain a foothold in the labour market. There is also a subsidy for the especially gifted. These subsidies are supplementary and awarded only on application. They are not regarded as a right.

⁹⁶ Source: Austrian Central Office of Statistics, 12/1996.

⁹⁷ Free transport for apprentices was not introduced until the 90s. In 1997 a total of 14.4 million ECU (200 million ATS) were spent on this item.

⁹⁸ If we exclude vocational schools the percentage is 11.7%.

2.4.2.1 Subsidies within the framework of labour-market policies

Subsidies for young people with fewer opportunities on the labour market are funded through the Labour-Market Service as an active labour-market policy measure. These Labour-Market Service payments are allocated in compliance with the Labour-Market Service Act and are linked to individuals, although they benefit employers and are made to the latter⁹⁹. In 1995 the Labour-Market Service supported a total of 1 523 apprentices in enterprises. The number of supported apprentices rose sharply in 1997. In 1996, 3 524 individuals received subsidies throughout the country. In 1997 the number increased by just under 320% to 11 952. Those eligible for subsidies include:

- girls in apprenticeship trades with a low proportion of women;
- apprenticeship applicants who are at a particular disadvantage on the labour market;
- young people who are over 19 when starting their apprenticeship;
- apprentices acquiring additional qualifications.

Table 6: *Monthly Labour-Market Service subsidies for first-year apprentices*

Category	Enterprise		Training institution	
	ECU	ATS	ECU	ATS
Girls	288	4 000	431	6 000
Disadvantaged	288	4 000	431	6 000
Over-19s	719	10 000	719	10 000
Inter-company additional training 50% of the costs, ceiling	575	8 000	575	8 000

Source: Austrian Labour-Market Service.

In addition to the subsidies listed above, the Labour-Market Service also supports enterprises which train apprentices in several apprenticeship trades at the same time without extending the period of training. The Labour-Market Service also supports enterprises which train apprentices in group training occupations.

Within the framework of the fourth guideline of the National Employment Initiative '*Social partners' Agreement on Training, Work Experience, Better Employability*' (Sozialpartnervereinbarung für Ausbildung, Berufserfahrung, Praktika, Verbesserung der Vermittelbarkeit), the social partners proposed a host of measures to improve the level of training of the Austrian population and thus to reduce the risk of unemployment, in particular among young people. The following are examples of these measures:

- establishment of vocational training courses in vocational schools;
- establishment of new training occupations;
- vocational proficiency examination;

⁹⁹ In answer to a parliamentary question, http://www.parlinkom.gv.at/pd/pm/XX/AB/texte/007/AB00719_.htm

- establishment of the preliminary course as a special form of training;
- permitting the lower secondary school-leaving certificate to be obtained later;
- occupational orientation for young people;
- safety nets for young people;
- expansion of the capacity of the Federal Ministry of Health and Social Affairs;
- training guidance and arbitration body;
- Labour-Market Service schemes in independent training institutions and in the institutes of continuing training of the social partners.

The Nationalrat (*lower house of the Austrian Parliament*) accepted most of these proposals, incorporating them in June 1998 into the Youth Training Protection Act¹⁰⁰.

Since spending by the Labour-Market Service is looked on as outlay for active labour-market policies, it will not be further discussed here. This aspect will be treated in the next section.

2.5 Summary and outlook

Table 7 shows aggregate spending on initial vocational training in Austria. Owing to a lack of statistics the list is incomplete and relies in part on estimates. It does however show that the bulk of public spending goes on initial vocational training¹⁰¹, and that central government spending is proportionally higher than private spending and *Länder* spending taken together.

¹⁰⁰ Cf Chapter 2.5.2.

¹⁰¹ Excluding private opportunity costs.

Table 7: Public and private expenditure on initial vocational training in 1986, 1991, 1996 and 1997 in ECU (million) and ATS (million)**

Year	1986		1991		1996		1997	
	ECU	ATS	ECU	ATS	ECU	ATS	ECU	ATS
Federal expenditure								
Federal spending on secondary vocational schools and colleges	596.7	8 300.9	864.3	12 023.9	989.2	13 761.4	993.4	13 819.7
Federal spending on vocational schools	79	1 098.6	101.9	1 417.6	123.8	1 722.0	124.8	1 736.6
Indirect federal spending	449	6 245.8	467.8	6 508.1	473.1	6 582.3	474.2	6 597.7
<i>Total federal spending</i>	<i>1 124.60</i>	<i>15 645.3</i>	<i>1 434.0</i>	<i>19 949.6</i>	<i>1 586.1</i>	<i>22 065.7</i>	<i>1 592.5</i>	<i>22 154.0</i>
Expenditure of Länder								
Länder spending on vocational schools (excluding federal contribution)	251.8	3 503.3	249.7	3 474.0	371.3*	5 165.7*	371.3*	5 165.7*
<i>Total Länder spending</i>	<i>251.8</i>	<i>3 503.3</i>	<i>249.7</i>	<i>3 474.0</i>	<i>371.3*</i>	<i>5 165.7*</i>	<i>371.3*</i>	<i>5 165.7*</i>
Private expenditure								
Private school operators	9.3	130.0	12.2	170.0	15.2	211.0	15.2	212.0
Training enterprises*** from	216.6	3 000.0	216.6	3 000.0	216.6	3 000.0	216.6	3 000.0
to	431.3	6 000.0	431.3	6 000.0	431.3	6 000.0	431.3	6 000.0
Private households	0	0.0	0.0	0.0	2.6	36.5	2.7	37.0
<i>Total private spending from</i>	<i>225.9</i>	<i>3 130.0</i>	<i>228.8</i>	<i>3 170.0</i>	<i>234.4</i>	<i>3 247.5</i>	<i>234.5</i>	<i>3 249.0</i>
<i>to</i>	<i>440.6</i>	<i>6 130.0</i>	<i>443.5</i>	<i>6 170.0</i>	<i>449.1</i>	<i>6 247.5</i>	<i>449.2</i>	<i>6 249.0</i>
Total								
<i>from</i>	<i>1 602.3</i>	<i>22 278.6</i>	<i>1 912.5</i>	<i>26 593.6</i>	<i>2 191.8</i>	<i>30 478.9</i>	<i>2 198.3</i>	<i>30 568.7</i>
<i>to</i>	<i>1 817.0</i>	<i>25 278.6</i>	<i>2 127.2</i>	<i>29 593.6</i>	<i>2 406.5</i>	<i>33 478.9</i>	<i>2 413.0</i>	<i>33 568.7</i>

* values for 1995.

** excluding spending by the Labour-Market Service for apprentices' support, excluding private opportunity costs and subsidies for specially gifted.

*** results of the two model calculations.

Source: Institute of Industrial Science.

In the final analysis, controversies over training policies always focus on the question of funding. Increased enrolment in technical and vocational schools and colleges is one reason why further expansion of the budget for initial vocational training will be necessary. However, the current trend is to shift financial responsibility away from the federal budget. Thus the schools' legal autonomy is expected to be expanded¹⁰², and the role of the Länder in the field of training within the education system remains an issue for the political debate. In Austria the system of schools and colleges for technical and vocational education and the dual system were based on a broad consensus of players in the political arena.

2.5.1 Schools and colleges for technical and vocational education

The largest item in school education spending is staff salaries. In 1995 the Ministry of Education proposed various measures to limit the expansion of spending in the area of

¹⁰² Within the framework of their partial legal autonomy schools can administer their budgets and raise outside funds independently.

personnel. Some have been implemented. 1996/97 structural measures by the Ministry of Education included (savings in brackets):

- reduction in hours at technical colleges and colleges for nursery teachers and social workers (ECU 5 million or ATS 68 million);
- changes in remuneration of evening school teachers (ECU 13 million or ATS 180 million);
- reductions in overtime for teachers (ECU 19 million or ATS 270 million);
- scheduling further training for teachers during non-teaching hours (ECU 13 million or ATS 200 million);
- changes in the system of reduced classroom time (ECU 3 million or ATS 40 million),
- implementation of the standard hours model (of reimbursement by federal government) (ECU 43 million or ATS 600 million);
- reduction in overtime costs through instructions to the school inspectorate (ECU 36 million or ATS 500 million);
- reduction in value units for teacher training colleges, in-service teacher training colleges and colleges for the training of vocational teachers (ECU 8 million or ATS 108 million)¹⁰³.

The division of financial and organisational responsibility between the various ministries and *Land* and local bodies often leads to political conflicts. For example, the fact that central government is partially responsible for paying teachers who are employed by the *Land* governments sometimes causes problems.

The school book initiative and free transport for pupils are also constant targets of reformers. Proposals for reforming the school book initiative range from recycling school books to completely abandoning it and introducing a transfer of money to private households instead. Many people consider free transport for pupils to be a form of subsidisation for transport companies.

2.5.2 Dual System

The expected changes to the dual system are also a consequence of controversy about funding. Employers often complain that the costs of training to the enterprise are too high and the investment in human capital does not pay off because those who complete their apprenticeship can be poached by other firms. Others maintain that enterprises permanently underestimate the contribution of apprentices to productivity.

Owing to the tight situation with regard to vocational training opportunities, the federal government has recently introduced special measures to create more training places. These range from legalistic changes to financial support. Enterprises receive financial support for providing 'additional' training opportunities. This type of incentive for creating

¹⁰³ Translator's note - subjects are given a 'value' which varies, i.e. mathematics have a higher value than sports. A teacher's workload is calculated on the basis of these value units.

more training opportunities has been praised as an important means of influencing labour-market and educational policies but has also been heavily criticised. One criticism was that in many cases enterprises only advertised vacancies for which they would have taken on apprentices anyway. Also, the incentives only shifts the problems in the training market downstream. More apprentices were taken on in 1997 than were actually needed, but this means that these openings will not be available in 1998. The specially established training institutions have also improved the position of young people only in the short term. The young people 'temporarily parked' in these institutions are expected to compete with school-leavers for training opportunities in the current year.

The Austrian National Employment Initiative, which was submitted to the European Commission on 15 April 1998, provides for a series of new measures and a continuation of proven measures for apprentices. The Youth Training Protection Act provides the necessary framework and financial basis for these measures, which include the establishment of new apprenticeship trades and a financial incentive for training enterprises to create new training opportunities. A tax exemption of ECU 1 438 (ATS 20 000) per apprentice per year was agreed for enterprises which provide training, but only on the condition that the labour-market policy goal is achieved and businesses really do create more vocational training opportunities.

About 4 000 young people are not expected to find apprenticeship openings in 1998 and 1999. Entrance to the world of work and employment is to be secured for these young people through the 'safety net for young people'. Measures within the framework of this safety net for young people comprise: suspension of fees for under-18s who wish to retake the lower secondary school-leaving certificate examination; lifting of the rule prohibiting pupils from repeating the first classes of the secondary technical and vocational schools and colleges; increase in the intake of pupils to secondary technical and vocational schools and colleges; creation of training places on vocational training courses; expansion of apprentices' foundations and the limited testing of preliminary courses. At present 2 x ECU 36 million (ATS 500 million) is available for the apprentices' foundations. These sums are to be spent degressively up to the year 2002 and can be invested. The central budget will provide ECU 29 million (ATS 400 million) for vocational training courses in both the 1998/99 and 1999/2000 training years.

In 1998, ECU 59 million (ATS 815.4 million) of the budget has been earmarked for National Employment Initiative youth schemes. For 1999 and 2000 ECU 98 million (ATS 1 366.3 million) and ECU 22 million (ATS 300 million) respectively have been proposed.

Family Relief Fund payments will be modified in 1999 and 2000. Family allowances will be increased¹⁰⁴.

¹⁰⁴ From 1.1.1999 monthly allowances for children up to the age of 10 will be increased by ECU 9 (ATS 125), for children up to the age of 19 by ECU 18 (ATS 250) and for older 'children' (students) by ECU 22 (ATS 300). From 1.1.2000 family allowances will be raised again, with different amounts depending on the number of children in a family. For the first child the allowance will be

3.1 Background

In times of accelerated technological change, in which specialist knowledge becomes outdated at an ever faster rate, continuing vocational training is becoming increasingly important. The trend to computerised and programme-controlled plant increases the need for a specially qualified workforce, as more and more unskilled workers become redundant. Today's service personnel faces multifarious and complex problems. New business organisation patterns aim for increased staff participation, making continuing vocational training a permanent necessity. Increased continuing vocational training efforts are also necessary because Austria has numerous small and medium-sized enterprises. Many of them have no training programmes of their own.

Continuing vocational training is occupation-related training for people already in employment. There is ample provision for such training. There are many centres for continuing training, especially in urban areas. Estimates show that there are between 1 500 and 3 000 private providers¹⁰⁵, in addition to the two big continuing training centres of the social partners¹⁰⁶. The following forms of continuing training differ in principle, although in practice they often overlap:

- in-company training and continuing training;
- training provided by commercial institutions;
- courses provided by public institutions (often schools);
- training provided by non-profit-making institutions.

Unlike in the case of initial vocational training, private¹⁰⁷ provision of continuing training exceeds public provision. The former is usually funded by employers' and employees' organisations, religious denominations, political parties, and scientific or cultural

ATS 1 450.-/1 700.-/2 000, depending on age. For the second child the allowance will be ATS 1 626,-/1 875.-/2 175 and for the third or more children ATS 1 800.-/2 050.-/2 350.

¹⁰⁵ The Institute for Economic Development (Wirtschaftsförderungsinstitut - WIFI) and the Institute for Occupational Development (Berufsförderungsinstitut - BFI).

¹⁰⁶ Gruber, no date.

¹⁰⁷ 'Private' again refers to the legal status here. The biggest training institutions all have a close connection with interest group organisations or political groupings.

associations¹⁰⁸. Recently the number of Austrian and foreign consultancy and training groups has been growing¹⁰⁹.

Due to the widely differing and often non-standardised forms of training, which also display wide regional variations, statistics on continuing training in Austria are very poor. There are no reliable figures either for the availability or the take up of training. The only data on the subject covering the whole of Austria were collected by the *Austrian Central Office of Statistics* (Österreichisches Statistisches Zentralamt - ÖSTAT) in three special programmes of regular panel surveys¹¹⁰. However, the most recent of these surveys is now nearly ten years old. A more up-to-date survey was carried out in 1996 by an opinion research institute, but with a small random sample.

Evaluation of the three ÖSTAT surveys showed that the rate of continuing training, measured as the percentage of workers who were enrolled, rose steadily from 9% (1973) to 11.8% (1989), whereby employment also rose. The continuing training rate differs greatly between various groups. For example, it is significantly higher among educators and university graduates (30%) than among agricultural and forestry workers (4.2%) and domestic workers (2.9%)¹¹¹. The 1996 survey, using a much broader definition of continuing training¹¹², revealed that 58% of employed people avail themselves of opportunities for continuing training. Even if the results of these surveys cannot be compared for methodological reasons, they still reflect the increasing importance of continuing training. People between the ages of 20 and 40, in particular, frequently attend continuing training events¹¹³. Most continuing training events do not last more than a week. 31% of events take only two or three days, and 24% take between four and seven days¹¹⁴.

Over a third of employees attend courses and continuing training within their own or another enterprise (according to the micro-census survey). Over half the participants attend courses at the social partners' two large institutes for continuing training, which are also financed to a large extent by enterprises. About one in six enterprises cooperates with, for example, universities in the sphere of continuing training. In enterprises with over 100 employees the importance of trainers and consultancy groups (about a quarter of

¹⁰⁸ Here in particular the Institute for Economic Development (Wirtschaftsförderungsinstitut - WIFI), the Institute for Occupational Development (Berufsförderungsinstitut - BFI), the Rural Institute of Further Training (Ländliche Fortbildungsinstitut - LFI), and the Adult Education Schools (Volkshochschulen - VHS).

¹⁰⁹ Cf. Institute of Economic Science /IBE 1998 p.13.

¹¹⁰ Micro-census special programmes 1973, 1982 and 1989.

¹¹¹ Cf. Fraiji 1992, p.8.

¹¹² Not only enrolment for courses, but reading specialist literature, among other things, were taken into consideration.

¹¹³ Cf. Federal Ministry for Economic Affairs 1997, p. 62.

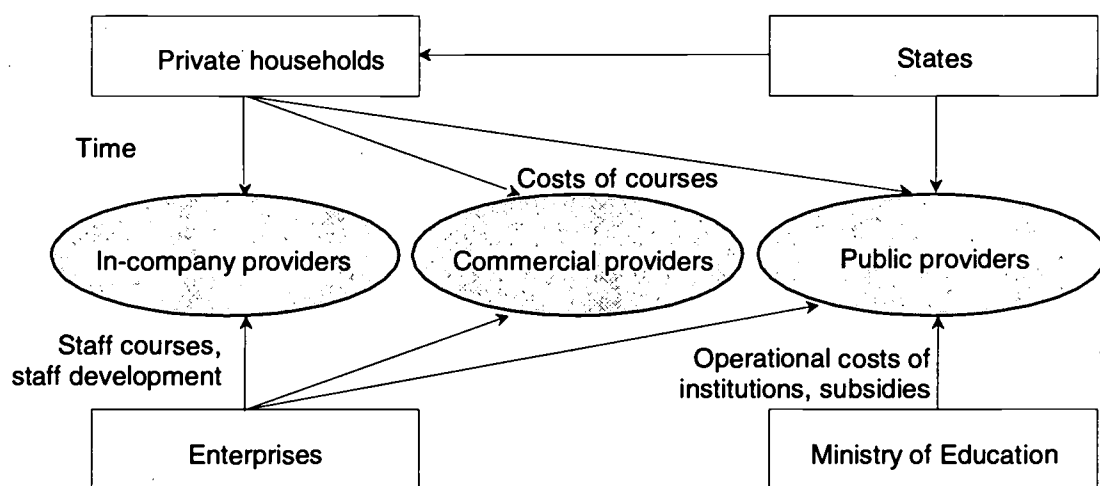
¹¹⁴ Except in the case of works council members, employees do not generally have a right to demand time off for continuing training, but provision is made for it in collective agreements and voluntary internal agreements at company level.

these are from abroad) has grown considerably in recent years. One in every five enterprises offers courses of instruction for customers (usually training courses for employees of other enterprises)¹¹⁵.

3.2 Funding sources

Whereas initial vocational education and training relies mainly on public funds, the opposite is true of continuing training. Some financing comes from private enterprises which pay for courses for their employees. Many people also invest their own money in their continuing training. In addition to private sources of funding there are various forms of public financial support, often at the regional or local level. Federal funds for adult education are made available in the form of financial support for adult education associations and institutions. The Ministry of Education also runs schools and colleges for technical and vocational education for employees¹¹⁶.

Figure 6: Cash flows in the continuing vocational training system



Source: Institute of Industrial Science.

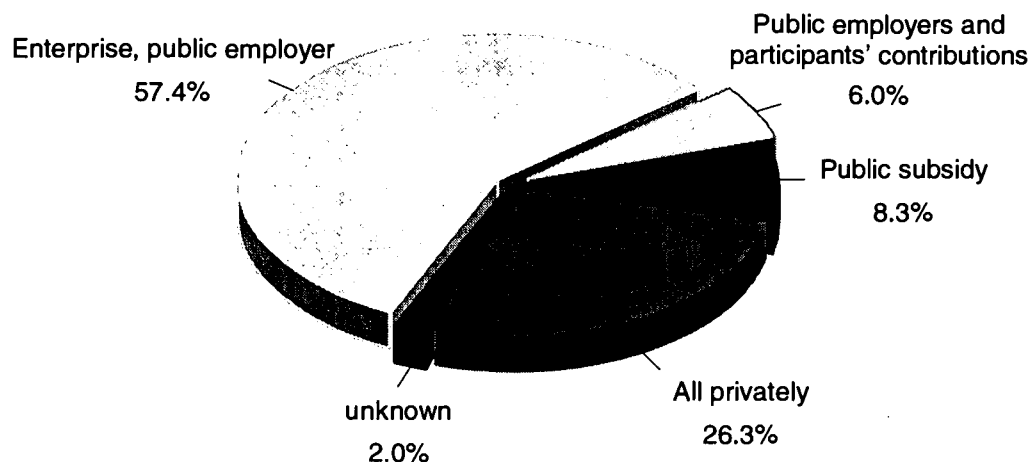
Costs for continuing training courses are borne mainly by enterprises. The time used by employees in continuing training courses is also in many cases paid worktime. However, there are no statistics to show to what extent continuing training takes place during working hours. According to data collected by the Austrian Central Office of Statistics, about a quarter of the participants in continuing training courses pay all costs themselves.

¹¹⁵ Cf. operational programme for GI ADAPT, p.34.

¹¹⁶ Since the schools and colleges for technical and vocational education for those in employment and the secondary technical and vocational schools and colleges often share staff and rooms, spending on the former has already been included in the chapter on initial vocational training. These schools can also be looked on as initial vocational training.

Public subsidy and mixed forms of funding play a minor role here. The cost of continuing vocational training courses has tripled in the consumer price index since 1986¹¹⁷.

Figure 7: Financing of course costs in 1989



Source: Austrian Central Office of Statistics, micro-census.

The institutes of continuing vocational training have various income sources, corresponding to the different sources of funding. The income of the biggest institute, the *Institute for Economic Development* (Wirtschaftsförderungsinstitut), was derived mainly from the provision of open courses (64.5%, 9.5% of this came from the Labour-Market Service in its function as buyer of training schemes for the unemployed). The participants' and their employers' shares of the burden are not known. The Chambers of Commerce, the institute's funding body, provided 35% of the remainder, and 0.4% came from the Ministry of Education¹¹⁸. In comparison, the income of the *Institute for Occupational Development* (Berufsförderungsinstitut), which is funded by the Chamber of Employees and the Austrian Trade Union Federation, was composed of the following in 1997: the largest item (63.1%) was Labour-Market Service revenues, followed by revenue from open course provision, courses for enterprises, etc. (22%). 10.3% comes from other profits and 4.6% from subsidies through the funding bodies of the Institute for Occupational Development (0.9% of which comes from the Ministry of Education).

¹¹⁷ The price of courses for further vocational training increased by an average of 5.7% in the period 1996 to 1997. The increase is significantly greater than the general rate of inflation.

¹¹⁸ Schmidbauer, Herwig, Contribution on the subject continuing vocational training, Statements to the Enquete 'Neue Wege in der beruflichen Aus- und Weiterbildung' (New Paths in Vocational and Continuing Training).

3.2.1 Funding by private households

Annual spending by private household on continuing training courses varies greatly with age, sex and occupation as well as with the type of survey¹¹⁹. Table 8 compares the findings of the abovementioned surveys. Here, too, the figures are not directly comparable and must be interpreted with caution, but the table shows that private expenditure on education has significantly increased in recent years.

Table 8: *Individual spending on continuing vocational training in 1989 and 1996*

1996 survey		1989 micro-census	
	%		%
almost none	18	none	49
under ECU 72 (ATS 1 000)	21	less than ECU 36 (ATS 500)	18
ECU 72 to 360 (ATS 1 000 to 5 000)	37	ECU 36 to 72 (ATS 500 to 1 000)	8
ECU 360 to 719 (ATS 5 000 to 10 000)	14	ECU 72 to 144 (ATS 1 001 to 2 000)	7
over ECU 719 (ATS 10 000)	8	ECU 144 to 360 (ATS 2 001 to 5 000)	9
no answer	2	over ECU 360 (ATS 5 000)	9

Source: Federal Ministry of Economic Affairs, 1997 and Austrian Central Office of Statistics.

An important formal further qualification after the apprenticeship examination is the master qualification¹²⁰. In the first instance candidates pay the costs of preparation for this examination and the examination fees themselves. The examination fees average ECU 400 (ATS 5 500). The costs for the preparatory courses are sometimes considerably higher than the examination fees (for example the preparatory course for the master optician examination costs almost ATS 150 000). No figures are available to show to what extent these costs are covered by employers. The employer often has little interest in financing such training, since it is the legal prerequisite for self-employment and thus potential competition. The cost of courses and masters' schools, which are not compulsory, vary widely, as does the time needed for preparation for the master's examination. With a few exceptions 'master' schools are run by the educational institutes of the social partners or by the social partners themselves. There are no reliable figures for the aggregate expenditure of private households or the opportunity costs incurred by private individuals. The above-mentioned surveys and the extrapolations they permit give us some idea of these costs.

The most recent survey investigated how much employees were willing to pay for continuing training and multiplied the sum by the number of employees interested in continuing training. What people are theoretically willing to pay is of course more than is actually spent, so that the estimated expenditure can only serve as an indication of the ceiling for annual spending

¹¹⁹ Cf. for example the differing definitions of continuing vocational training in the abovementioned surveys.

¹²⁰ 4 404 candidates entered the master's examination in 1995. 63.8% passed.

on education and training. Thus the estimated spending of the population interested in continuing training amounts to approximately ECU 490 million (ATS 6.8 billion)¹²¹.

A result from a survey of employees by the Austrian Central Office of Statistics in 1989 can serve as an indication of minimum spending. In this study, the total expenditure of individuals participating in continuing vocational training was found to be about ECU 36 million (ATS 500 million).

3.2.2 Funding by enterprises

No statistics are available on the aggregate costs of enterprises for continuing vocational training either. The above-mentioned surveys have shown that business - either in firms or through the economic research institutes of the Chambers of Commerce - is the major provider of continuing vocational training in the country. 52% of the courses available to employees from 1985 to 1989 were organised directly or indirectly by enterprises.

According to a survey of enterprises conducted in 1997, they invest an average of 0.28% of their annual turnover in continuing training for their employees. Calculated in absolute terms, this spending amounts to approximately ECU 841 million (ATS 11 700 million)¹²². This figure does not include indirect government spending, i.e. forfeited tax revenues. The costs for continuing vocational training are fully tax-deductible, unlike the costs for initial training. Individuals can deduct costs from income taxes, and enterprises deduct them from corporate tax as expenses.

3.2.3 Funding from public budgets

Since adult education and continuing vocational training are largely provided by independent providers, central government plays a mainly supportive role. Until the 1970s there was no legal basis for public subsidies. A 1964 amendment to the constitution provided for legislation on adult education. As a consequence, the *Federal Act on the Promotion of Adult Education and the National Library from Federal Funds* was passed in 1973. At present this law, together with the *Labour-Market Promotion Act*, the *Labour-Market Service Act* and the *State Employees Support Acts*, constitutes the only legal basis for the public subsidisation of continuing training. Essentially the central government has committed itself to financially supporting non-profit-making educational institutions. However, continuing training providers have no legal right to subsidisation.

¹²¹ Cf. Schneeberger, 1997 (b).

¹²² Cf. Schneeberger 1997 (b). The method by which this figure was reached certainly has its weaknesses. There are, however, hardly any other estimations available in Austria and those that are available are still more lacking in methodological correctness. An estimation from the year 1995 comes to the conclusion that businesses invested almost ECU 3 594 million (ATS 50 000 million) in actual and calculated costs in occupation-related continuing training for their employees in 1995. Cf. Harramach, no date.

Federal, *Land* and commune spending on continuing vocational training benefits a number of activities, including:

- second-chance education courses;
- general education courses;
- contributions to private education costs;
- schools for those in employment;
- exhibitions;
- libraries, etc.

Financial support is organised by the *Department of Adult Education* (Abteilung für Erwachsenenbildung) of the Ministry of Education. The *Federal Centres for the Promotion of Adult Education* (Förderstellen des Bundes für Erwachsenenbildung) in seven *Länder* are the responsibility of the Department of Adult Education. Most of the educational institutions¹²³ subsidised by the Ministry of Education are members of the *Standing Conference for Adult Education in Austria* (Konferenz der Erwachsenenbildung Österreichs), which was founded in 1972. This is an independent forum for exchange and cooperation among Austrian adult education institutions; it promotes their common interests and deals with common goals and projects, while maintaining its members' autonomy. An essential characteristic of the associated institutions is provision of adult education on a national scale. Most of these institutions are closely linked to the social partners. According to its final accounts (the actual income and expenditure of the federal government within the budget of a given year) the Ministry of Education spent ECU 14.2 million (ATS 198.2 million) on the promotion of adult education in 1996¹²⁴.

In addition to federal subsidies, *Land* and *Gemeinde* authorities also fund continuing vocational training. The amounts shown in the operational audits of the *Land* governments have only limited relevance, however, since the budget item 'Adult Education', for example, also covers funding of libraries and schools of music. In 1995 *Land* governments spent a total of ECU 38.5 million (ATS 535.5 million) under the heading 'Adult Education'.

Numerous schools and colleges for technical and vocational education offer their programme to people in employment under the authorised curricula of the School Organisation Act¹²⁵. This gives adults a chance to upgrade their training at public night-school courses. Funds are provided - for these and for full-time schools and colleges for

¹²³ Federation of Austrian Educational Homes, Austrian Institute for Occupational Development, Austrian Library Association, Institution of Catholic Adult Education, Rural Institute of Further Training, Austrian Circle of Educational Foundations, Austrian Economic Society, Association of Austrian Educational and Training Institutes, Association of Austrian Adult Education Centres, and the Institute for Economic Development of the Austrian Chamber of Commerce.

¹²⁴ According to the Ministry of Education about a quarter of all spending under the heading 'Adult Education' goes on public libraries, the remaining three quarters goes on adult education institutions.

¹²⁵ In the 1994/95 school year 4 258 employees attended the schools and colleges and add-on courses in schools and colleges for engineering, arts and crafts, and 925 employees attended preparatory courses.

technical and vocational education - by the Ministry of Education. Since night schools share both rooms and staff with the 'day schools', it is difficult to calculate their cost.

3.2.3.1 Land government support for individuals

Individual support programmes exist in several *Länder* (Vienna, Oberösterreich, Steiermark, Kärnten, Vorarlberg). For example, the *Employees' Support Fund* (ArbeitnehmerInnenförderungsfonds - WAFF) was established in September 1994 in Vienna to subsidise individual continuing training as well as labour foundations. The Employees' Support Fund, which is funded by the Vienna Municipality and the Labour-Market Service, among others, established an '*Education Account*' (Bildungskonto) in 1996 for the promotion of occupation-oriented continuing training. This account subsidises course and seminar costs for occupation-oriented initial and continuing training. Subsidies are granted under the following criteria:

- They are granted only on application, to wage-earners resident in Vienna.
- 50% of course fees are subsidised, to a maximum of ECU 144 (ATS 2 000).
- Unemployed persons can receive a grant up to a maximum of ECU 288 (ATS 4 000).
- For candidates taking lower secondary school or apprenticeship diplomas, foreman diplomas or vocational proficiency examinations, the Employees' Support Fund covers 80% of course costs to a maximum of ECU 431 (ATS 6 000).
- Courses must cost more than ECU 72 (ATS 1 000), and the subsidy can only be granted once a year.

Table 9 shows public spending on continuing training. The figures shown must be viewed with caution, however, because of differences in entering and designating costs in accounts - especially in the *Länder*.

Table 9: *Public spending on continuing training in Austria, in ECU (million) and ATS (million)*

Year	1986		1991		1996		1997	
	ECU	ATS	ECU	ATS	ECU	ATS	ECU	ATS
Ministry of Education	6.4	88.4	9.0	125.0	14.2	198.2	12.2	170.4
<i>Länder</i>	20.7	287.5	24.9	346.4	38.5	535.5*	38.5	535.5*
<i>Total</i>	27.0	375.9	33.9	471.4	52.7	733.8	50.7	706.0

* Figures for 1995.

Source: Austrian Central Office of Statistics, final accounts (federal preliminary budget for 1997).

3.3 Summary and outlook

Table 10 summarises spending on continuing vocational training. It should again be emphasised that statistics are based on estimates owing to the lack of surveys, and are

thus only rough guidelines. The methods of estimation are also imperfect, because of the lack of available data. For this reason presenting a time series of data is not possible, but some conclusions can be drawn as to the proportional distribution of the costs of continuing vocational training. The greater portion of the costs of continuing vocational training is covered by enterprises, followed by private households.

Table 10: Spending on continuing vocational training in Austria, in ECU (million) and ATS (million), 1996

	ECU	ATS
Private households	36 to 490	500 to 6 800
Enterprises	841	11 700
Public budgets	53	734
<i>Total</i>	<i>930 to 1 384</i>	<i>12 934 to 19 234</i>

Source: Austrian Central Office of Statistics, final accounts, IBW, Institute of Industrial Science

Continuing vocational training has gained in importance in recent years and we can assume that this trend will continue. The content of continuing training is often very specific to one company, so that the proportional distribution of spending on continuing vocational training does not change very much. Enterprises will probably continue to cover a large part of the costs in future, within the framework of their courses for employees and staff development.

The development of private spending on continuing training greatly depends on the 'investment aspect' of further training. We can assume that people invest in their own continuing training mainly when they can enhance their 'value' on the labour market by doing so. For this reason, the formal recognition of continuing training should be increased. In contrast to the State-recognised certificates of the initial vocational training system, diplomas from non-governmental and private educational institutions have yet to achieve recognition and market value.

Information policies are becoming increasingly important because of the growing provision of continuing training courses and paths to continuing vocational training. The Ministry of Education established a cross-regional, cross-sector continuing training data bank (EBIS) as an instrument for the dissemination of information, but it no longer exists in this form. In order to secure transparency and equal opportunities for vocational training, some political players are demanding a new initiative for the establishment of such an information system.

Owing to inadequate statistics on continuing vocational training and its funding in Austria well-founded statements are difficult to make. Research deficits necessitate increased efforts with regard to data collection, data evaluation and data interpretation.

4.1 Background

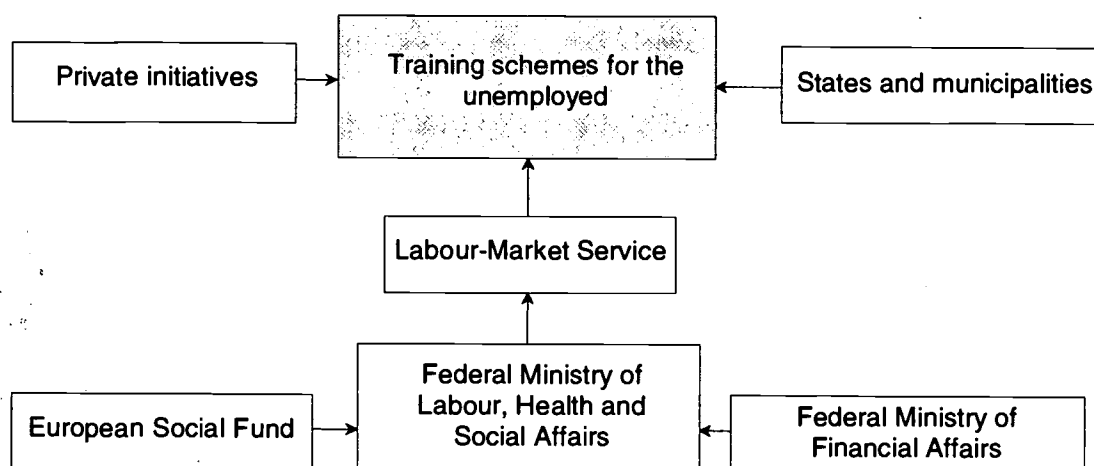
The Austrian labour-market situation has deteriorated in the last few years in general. In 1995 and 1996 the average number of jobs decreased by about 23 500, and the number of those registered as unemployed rose by about 15 500. At the same time, employment problems spread from industry to those parts of the service sector which have lost their sheltered position because of European integration and which are now faced with international competition¹²⁶. The growing problem of long-term unemployment has added to Austria's woes. Last year around 20 000 young people were classified as long-term unemployed (those who had been job-seekers for more than six months); in 1997, an average of 4 625 young people were registered as long-term unemployed. Around 72 500 adults were long-term unemployed (jobless for over a year); about 41 000 of them found a job eventually. A comparison of these two sets of figures clearly suggests that the longer the period of unemployment, the higher the probability of remaining unemployed. The central government is trying to correct the situation by means of labour-market policies, often involving training and qualification programmes. Austrian training programmes for the unemployed are thus frequently very difficult to distinguish from the labour-market support measures.

4.2 Sources of funding and distribution mechanisms

Labour-market policy and training courses for the unemployed are essentially public responsibilities and are therefore almost exclusively financed by public funds. The majority of the financial aid is from the Federal Ministry of Labour, Health and Social Affairs. Only a much smaller fraction of the support for the training of the jobless is from the *Länder*, communes and private organisations (primarily church programmes). Since Austria's accession to the European Union the country's labour-market programmes have also had access to the resources of the *European Social Fund* (ESF).

¹²⁶ Such as trade or freight carriers.

Figure 8: Monetary flows in training programmes for the unemployed



Source: Institute of Industrial Science.

4.2.1 National Sources of Funds

On 1 July 1994 the Labour-Market Promotion Act divested the federal government of labour market administration and put it in the hands of the Labour-Market Service. Labour-market policies must be broken down into passive and active components. Passive labour-market policy is primarily concerned with payment of compensation from unemployment insurance funds to people in the workforce who have lost their jobs¹²⁷. Active labour-market policy focuses on qualification and retraining programmes as well as counselling, placement and support.

The Labour-Market Service receives funds from the Federal Ministry of Labour, Health and Social Affairs and bears sole responsibility for shaping support guidelines for the active labour-market policy, i.e. the federal ministry has no influence on the guidelines beyond its general labour-market policy targets and subsequent review¹²⁸. Spending on the active labour-market policy has increased steadily in recent years and has been devoted to a much wider range of programmes. In 1998 the Labour-Market Service has about ECU 540 million (ATS 7 500 million), including ESF funding, at its disposal¹²⁹. This is about ECU 27 million (ATS 370 million), or 5.2% more than in 1997. If one includes funds for the Youth Training Protection Act are included, the increase from 1997 to 1998 was ECU 70 million (ATS 970 million), or 13.6%. For 1999 the Federal Finance Act provides a total of ECU 618 million (ATS 8 600 million) or, if the package of measure for young people is included, ECU 683 million (ATS 9 500 million).

¹²⁷ Social insurance and unemployment insurance funds in Austria are obtained on a pay-as-you-go basis.

¹²⁸ Cf. answer to a parliamentary question,
http://www.parlinkom.gv.at/pd/pm/XX/AB/texte/005/AB00521_.htm

¹²⁹ Not including Youth Training Act, not including unemployment compensation for foundation and training participants.

The Labour-Market Promotion Act assigns the following goals to government aid:

- eliminating cost-related obstacles to obtaining a job;
- initial and continuing vocational training and preparation for a new job;
- (re)integration of the unemployed into the labour market;
- job-retention support.

No one has an innate right to claim active labour-market policy funds. This also goes for training programmes. In March 1998 there were 23 225 persons enrolled on training financed by the Labour-Market Service¹³⁰.

The active labour-market policy is complemented by various special labour policy measures. Most of these are organised by the Labour-Market Service. The following subsections will focus on the *Strukturmilliarde* (Structure Billion) and the *Arbeitsstiftungen* (job foundations).

4.2.1.1 *Strukturmilliarde*

To stabilise the economy and employment during the 1993-94 recession, the federal government devoted ECU 72 million (ATS 1 000 million) of its budget to labour-market policy measures in a special programme - the so-called *Strukturmilliarde*. The programme centres on acceleration of training and updating occupational training for adults. Implementation of the special programme was entrusted to the Labour-Market Service.

Table 11: *Strukturmilliarde* spending in ECU (million) and ATS (million)

Measures	ECU	ATS	Distribution of spending over		
Training offensive	40	551			
Adult education	19	268			
Job foundations	6	88		ECU	ATS
Childcare places	2	21	1993	11	153
Company support	5	72	1994	47	651
			1995	14	196
Total	72	1 000		72	1 000

Source: Labour-Market Service.

4.2.1.2 *Job foundations*

Job foundations (Arbeitsstiftungen) are intended to get people back to work if they lose their jobs when a company or entire sector lays off large numbers of workers. Foundation tools include initial and continuing training. Four types of foundation can be distinguished.

130 1995 average: 15 525 per month,
1996 average: 17 972 per month,
1997 average: 22 211 per month.

- company foundation (financed jointly by employers and employees);
- insolvency foundation (funds lacking because the employer is bankrupt are found outside);
- sectoral foundation (covering an entire sector of the economy);
- regional foundation (a regional policy component comes to the fore along with the company component).

Foundation costs are met in various ways, depending on the type of enterprise and its workers: by the parties concerned, by the Labour-Market Service - including ESF funds - and by *Land* and commune governments.

4.2.2 European Social Fund (ESF)

Since Austria's accession to the European Union the country's private labour-market training programmes have also been able to take advantage of the resources of the *European Social Fund* (ESF)¹³¹. Through 1999 a total of ECU 546 million (ATS 7.6 billion) will be available from ESF. The funds can be spent on the six Structural Fund goals in accordance with the Single Programme Documents (SPD).

*Table 12: Structural Fund objectives**

Objective 1	Assisting regions whose development is lagging behind
Objective 2	Restructuring regions which are affected by industrial decline
Objective 3	Combating long-term unemployment and labour-market integration of young people and persons threatened by exclusion from the labour market
Objective 4	Adapting the workforce to industrial change and to changes in production systems
Objective 5a	Speeding up restructuring of agriculture and fisheries in the framework of the Common Agricultural Policy
Objective 5b	Development and restructuring of rural areas

* Objectives 1, 2 and 5b refer to regions, while Objectives 3, 4 and 5a cover the entire European Community territory. Objective 6 does not apply to Austria.

Source: Federal Ministry of Labour, Health, and Social Affairs.

Regional Objectives 1, 2 and 5b receive ECU 128 million (ATS 1 780 million) from ESF funds. Objectives 3 and 4 provide ECU 372 million (ATS 5 173 million); while Community initiatives¹³² furnish ECU 47 million (ATS 650 million)¹³³. Measures under Objectives 3 and 4 are particularly relevant for vocational training. So are Community labour-market policy

¹³¹ A total of 40.4% of the Austrian population lives in areas supported by the Structural Fund, including a majority, 28.9%, located in the zones covered by Objective 5b.

¹³² In order to be able to react flexibly to particular problems at the European level, the European commission has reserved 9% of Structural Fund monies and allocates them to the Community initiatives according to its own principles.

¹³³ No final decision has been reached on use of Community initiative reserves.

initiatives, above all Employment¹³⁴ and ADAPT. Objective 3, which focuses on the unemployed¹³⁵, accounts for 63% of the Austrian share of the total ESF budget until 1999¹³⁶.

In compliance with the principle of complementarity, ESF funds can only be used to support labour policy measures in conjunction with national funds. For this reason the national labour market is closely tied to its European context. The co-financing rules laid down in the Single Programme Documents allow a total¹³⁷ of ECU 1 200 million (ATS 16 700 million) to be spent between 1995 and 1999 in accordance with rules on ESF labour-market policy activities. Accordingly, Community initiative measures will receive about ECU 93 million (ATS 1 300 million) from the ESF and Austrian federal budget in the same period.

In Austria ESF funds are handled in accordance with budget laws¹³⁸. This means they must be entered in the budget and flow via the Finance Ministry first to the fund-handling agency, the Federal Ministry of Labour, Health and Social Affairs¹³⁹. The ministry channels ESF funds in corresponding tranches to the final recipients. The final recipients are the agencies which spend ESF funds on their own account, in accordance with programme documents. The biggest spender is the Labour-Market Service, which administers 85.1% of Austria's overall share of ESF funds. Other end-recipients are Federal Social Affairs and Handicapped Offices, other ministries and *Land* government departments.

More than 20% of the Labour-Market Service policy budget is from the ESF. However, the principle of complementarity means that each year about 45% of the disposable labour-market budget is tied to ESF-linked programmes. More than 70% of the support budget goes to training programmes, and 22% to employment initiative. Spending is distributed among 217 761 recipients.

By 30 June 1997, halfway through the first Structural Fund period for Austria, a total of ECU 200 million (ATS 2 794.9 million) from ESF funds had been spent in Austria¹⁴⁰. In 1995 and 1996 more funds than envisaged in the Single Programme Document were spent on the youth priority of Objective 3. About ECU 12 million (ATS 165 million) were

¹³⁴ With the programmes NOW for women, HORIZON for handicapped, YOUTHSTART for young people and, since 1997, INTEGRA for socially disadvantaged.

¹³⁵ Structural Fund rules spell out the target population that is to benefit from such support: (long-term unemployed adults, young jobseekers, women with no completed vocational training, women desiring to go back to work or to return to a former occupation, women interested in male-dominated occupations, persons threatened with exclusion from the labour market, physically and mentally handicapped, drug abusers, ex-convicts, refugees, immigrants and the homeless. *esf-Handbuch*, p. 86.

¹³⁶ Cf. *Handbuch*, p. 86.

¹³⁷ ESF funds plus public and private Austrian funds.

¹³⁸ Unlike funds covered by the Austrian budget legislation, ESF funds can be held in reserve.

¹³⁹ This body is also responsible for Austrian labour-market policy.

¹⁴⁰ Cf. *esf-Handbuch*, p. 63 f.

originally earmarked for those two years, but ECU 29 million (ATS 405 million) were actually spent. Almost 98 000 participants were supported in the first six months of 1997 in all Austrian ESF objectives. By 30 June 1997 a total of 211 710 people had received financial support¹⁴¹. The vast majority of these were Objective 3 cases (88 440 participants annually) and Objective 4 benefactors (71 773 participants per year)¹⁴².

4.3 Summary and outlook

Table 13 shows spending on active labour-market policy. Until 1994 labour-market programmes were organised by the ministry responsible. The Labour-Market Service took over in mid-1994. Since Austria joined the European Union in 1995, ESF funds can be used for training measures supporting active labour-market policy.

Spending on active labour-market policy in the narrow sense (not including administrative overheads) has gone up considerably since 1990. Comparing EU-conforming 1995 and 1996 spending to average Austrian expenditure in 1992, 1993 and 1994 shows that no decrease in Austrian spending on active labour-market policy, offset by ESF funds, has taken place since Austria joined the EU. That would have breached the principle of the additionality of EU funds.

Table 13: Spending on active labour-market policy in 1986, 1991, 1995-97 in ECU (million) and ATS (thousand million)

Year	1986		1991		1995		1996		1997	
Total federal spending	319.4	4.4	346.8	4.8	395	5.5	410	5.7	510	7.1
ESF share	0.0	0.0	0.0	0.0	43	0.6	93	1.3	-	-

Source: labour-market policy account.

In periods of high unemployment, spending on labour-market policy activities increases, while revenue from tax and social insurance payments decreases. Accordingly, the provision of training opportunities for the unemployed must be designed with the availability of financial resources in mind. At the end of February 1998, the Labour-Market Service already had a budget appropriation for its programmes which exceeded the 1997 level by about ECU 93 million (ATS 1 300 million). This spending is due primarily to apprentice support programmes and the high rate of utilisation of ESF funds for continuing training, which require matched funding. This reduces the scope for new appropriations in 1998 to about ECU 65 million (ATS 900 million) less than in 1997. The shortfall is partially offset by permitting use of some 1999 funds in 1998.

¹⁴¹ This figure is inflated by the fact that cases supported beyond the end of an ESF year were counted twice.

¹⁴² The Institute for Economic Development (Wirtschaftsforschungsinstitut (WIFO)) calculated that, neglecting substitution, displacement and take-home effects, the Objective 3 programmes alone had an employment impact of 0.19% in 1996.

The National Action Plan on Employment (NAP) contains several training programmes¹⁴³. A total of around 100 000 new jobs are expected to be created by 2002, 70 000 to 80 000 of these through the accelerating improvement of the economy and 20 000 to 30 000 through labour-market measures. ECU 108 million (ATS 1 500 million) has already been earmarked for NAP projects in the 1999 budget, and the possibility of falling back upon ESF funds (ECU 108 million or ATS 1 500 million, annually) has been secured for other projects, provided that they are co-financed by Austria.

¹⁴³ Cf. Youth Training Protection Act.

5.1 Introduction and background

In Austria only a few attempts have been made to combine customary vocational training paths. The country has just begun to adapt and apply alternative labour-market policy models which have proved themselves elsewhere.

5.1.1 Training leave

Since 1 January 1998 employees may, with their employers' consent, take a 6-12-month leave of absence for training purposes. During this period the worker receives a continuing training allowance equal to normal severance pay rates (ECU 13.3 or ATS 185.50 per day) and is permitted to earn a small amount on the side¹⁴⁴. The continuing training allowance can be paid for the entire 6-12 month duration of the training leave or unpaid vacation. In the first three months of this new option 82 persons in the entire country took advantage of it.

5.1.2 Job rotation

Another new instrument which combines traditional vocational training tracks is *job rotation*. Employees taking this route are excused for continuing training purposes and temporarily replaced by so-called 'Stellvertreter' (*stand-ins*). Both the higher qualification and the stand-in's pay can be subsidised by the Labour-Market Service and the European Social Fund. So far 561 employees in nine companies have taken continuing training. At the same time, these companies employed 68 former jobseekers as stand-ins.

All these schemes are too new to draw any conclusions.

¹⁴⁴ The Austrian ceiling on income which is not subjected to a tax or insurance obligation is currently ECU 275 (ATS 3 830) per month.

Part 6 Future financing of vocational training - trends and projections

Table 14 summarises spending on vocational training in Austria. Many of the values shown in the table are estimates. A lack of data prohibits inclusion of opportunity costs and benefits.

Table 14: Spending in Austria on vocational training in 1986, 1991, 1996-97 in ECU (million) and ATS (thousand million)

Year	1986		1991		1996		1997	
	ECU	ATS	ECU	ATS	ECU	ATS	ECU	ATS
Spending on initial vocational training								
Total federal spending	1 124.6	15 645.3	1 434.0	19 949.6	1 586.1	22 065.7	1 592.5	22 154.0
Total <i>Land</i> spending	251.8	3 503.3	249.7	3 474.0	371.3	5 165.7	371.3	5 165.7
Total private spending								
from*	225.9	3 130.0	228.8	3 170.0	234.4	3 247.5	234.5	3 249.0
to*	440.6	6 130.0	443.5	6 170.0	449.1	6 247.5	449.2	6 249.0
Total spending on IVT								
from*	1 602.3	22 278.6	1 912.5	26 593.6	2 191.8	30 478.9	2 198.3	30 568.7
to*	1 817.0	25 278.6	2 127.2	29 593.6	2 406.5	33 478.9	2 413.0	33 568.7
Spending on continuing vocational training								
Total federal spending	6.4	88.4	9.0	125	14.2	198.2	12.2	170.4
Total <i>Land</i> spending	20.7	287.5	24.9	346.4	38.5	535.5	38.5	535.5
Total private spending								
from*	877.0	12 200.0	877.0	2 200.0	877.0	12 200.0	877.0	12 200.0
to*	1 331.0	18 500.0	1 331.0	18 500.0	1 331.0	18 500.0	1 331.0	18 500.0
Total spending on CVT								
from*	904.1	12 575.9	910.9	12 671.4	929.7	12 933.7	927.7	12 905.9
to*	1 358.1	18 875.9	1 364.9	18 971.4	1 383.7	19 233.7	1 381.7	19 205.9
Spending on training programmes for the unemployed								
Total federal spending	319.4	4442.9	346.8	4842.0	410	5702.7	510	7100.0
ESF share	0.0	0.0	0.0	0.0	93	1 301.2	-	-
Spending on continuing vocational training								
Total								
from*	2 825.8	39 297.4	3 170.2	44 107.0	3 531.5	49 115.3	3 636.0	50 574.6
to*	3 494.5	48 597.4	3 838.9	53 407.0	4 200.2	58 415.3	4 304.7	59 874.6

* Estimates.

Source: Institute for Economic Science.

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The formal qualifications of the Austrian population have constantly increased in recent years. In other words, the percentage of employees with only compulsory education is decreasing, while the proportion of people with a higher education and training is rising. Additional qualifications and lifelong learning are gaining importance.

There are many indications that total spending on vocational training and the private share of this spending will increase in the coming years, while the government will shift financial responsibility as well as organisation to private households and companies. This trend is based partly on the increasing importance of company personnel development, which not only leads to changes in enterprises' pay and recruitment policy, but also affects in-company continuing training.

Changes in the work environment and in forms of business organisation are aimed at giving workers a greater say in shaping company procedures. This opportunity places higher demands on employees in mastering diverse, complex issues. That is another reason to anticipate a gradual shift of emphasis from initial vocational training to continuing vocational training. In this context measures are needed which increase formal recognition of training and facilitate switching between various vocational training tracks.

Annex 1: Legal provisions

Table 15: Legal provisions on vocational training - applicable in the current version

Name of law	Year first introduced	Vocational training sectors involved	Summary of regulation
General Civil Law - Allgemeines Bürgerliches Gesetzbuch (ABGB)	1811		Parents duty to maintain their children
Industrial Code - Gewerbeordnung	1859		Qualifications required for the self-employed practise of various occupations
Federal Constitutional Law - Bundesverfassungsgesetz (B-VG)	1929		Spheres of competence of federal and Land governments
Redistribution of Finances Act - Finanzausgleichsgesetz (FAG)	1948		Refunding of salary costs for Land and religious teachers
School Organisation Act - Schulorganisationengesetz (SchOG)	1962	Schools	Duties and organisation of schools
Private School Act - Privatschulgesetz (PrivSchG)	1962	Schools	Conditions, availability to the public, subsidisation, schools' inspection
Agricultural and Forestry Federal School Act - Land- und forstwirtschaftliches Bundesschulgesetz (LufBSchG)	1966	Schools	Competence and organisation of the agricultural and forestry federal schools
Family Relief Act - Familienlastenausgleichsgesetz (FLAG)	1967	Pupils, apprentices	Family allowances, school transport subsidies, free transport for pupils and apprentices
Labour-Market Service Act - Arbeitsmarktförderungsgesetz (AMFG)	1969	Unemployed	Labour-market policy promotion measures
Vocational Training Act - Berufsausbildungsgesetz (BAG)	1969	Apprentices	In-company apprenticeship training
Federal Act on the Promotion of Adult Education and the National Library from Federal Funds.	1973	Continuing training	Subsidisation of charitable educational institutions
Pupils' Grants Act - Schülerbeihilfengesetz (SchBeihG)	1983	Pupils	Eligibility and amounts of grants to pupils
Labour-Market Service Act - Arbeitsmarktservicegesetz	1994	Unemployed	Legal basis for individual support measures from the Labour-Market Service (Paragraph 34)
School Education Act - Schulunterrichtsgesetz		Schools	content of lessons, etc.
School Education for the Employed Act - Schulunterrichtsgesetz für Berufstätige		Schools	content of lessons, etc.
Children and Young People's Employment Act - Kinder- und Jugendlichen-beschäftigungsgesetz		Apprentices	protected ages , etc.
Nursing Act - Krankenpflegegesetz		Schools	training for health care occupations, etc.
Employment of Foreign Nationals Act - Ausländerbeschäftigungsgesetz		Apprentices	Conditions of employment for foreigners
Youth Training Protection Act - Jugendausbildungssicherungsgesetz	1998	Apprentices, young people	Measures within the framework of the National Employment Initiative, etc.
Land laws for the support of employees		Continuing training	Promotion of continuing vocational training at Land level

Source: Institute for Economic Science.

Annex 2: Benchmark statistics 1997

Table 16: Benchmark statistics 1997

State	Area	83 858 km ²
	Population ¹⁴⁵	8 071 859
	Gross domestic product ¹⁴⁶	ECU 178 300 million
	Growth ¹⁴⁷	2.0%
Labour Market	Workforce potential ¹⁴⁸	3 832 400
	Activity Rate, total ¹⁴⁹	59.6%
Employment	Total ¹⁵⁰	3 649 300
	Under 25 year-olds ¹⁵¹	591 294
Unemployment	Registered unemployed ¹⁵²	260 870 or 7.9% according to Labour-Market Service definition, or 4.5% according to Eurostat definition
	Under 25 year-olds ¹⁵³	38 648
Training	Long-term unemployed ¹⁵⁴	35 831
	ISCED 1,2 ¹⁵⁵	766 030 or 20% of total workforce potential
	ISCED 3 ¹⁵⁶	407 428 or 10.6% of total workforce potential
	ISCED 5,6,7 ¹⁵⁷	238 981 or 6.2% of total workforce potential

¹⁴⁵ As of 2nd quarter 1997.

¹⁴⁶ ATS 2 480 500 million. Exchange rate based on the current central rate: ECU 1 = ATS 13.9119 prognosis for 1997.

¹⁴⁷ real change of GDP in comparison with 1996, Institute for Economic Development prognosis.

¹⁴⁸ Source: micro-census September 1997.

¹⁴⁹ Source: Eurostat 1996. In 1995 the activity rate was 59.4% in Austria. EU average 55.2%. Source: Economic and Social Statistical Pocket Book 1997.

¹⁵⁰ Source: micro-census September 1997.

¹⁵¹ Source: Central Organisation of Austrian Social Insurance Bodies, as of 1996.

¹⁵² As of March 1998.

¹⁵³ As of March 1998.

¹⁵⁴ As of March 1998, persons unemployed for 6 months or longer.

¹⁵⁵ As of school year 1995/96.

¹⁵⁶ As of school year 1995/96.

¹⁵⁷ As of school year 1995/96.

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